





Annual Report 2014

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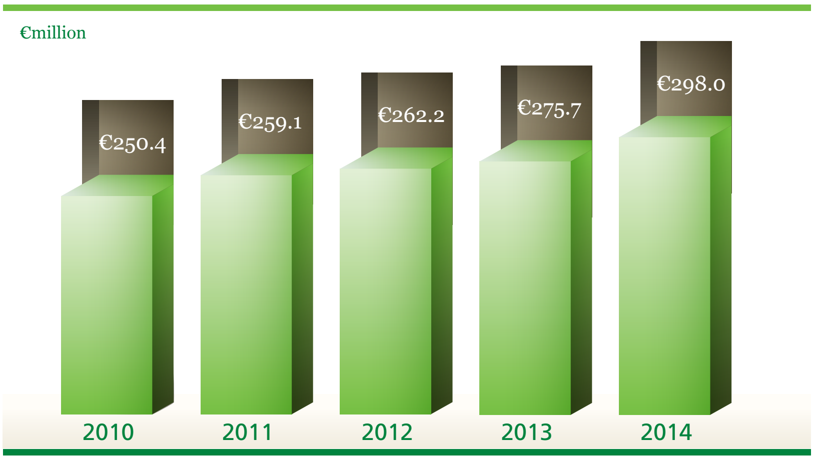
Our Business

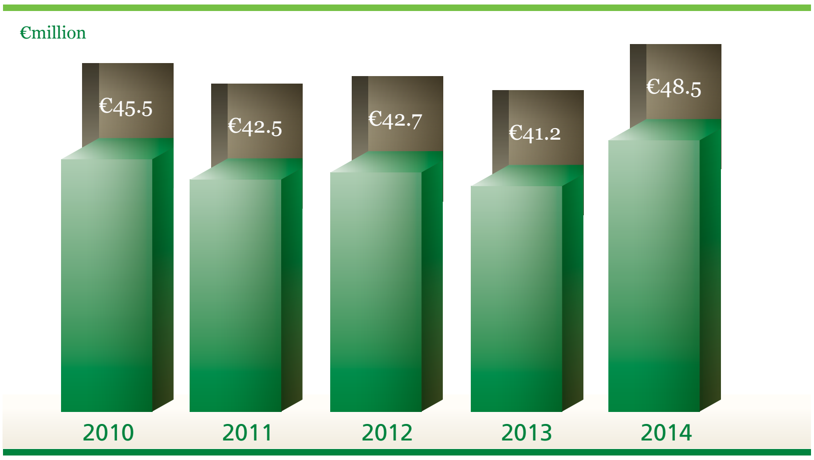
Coillte's core purpose is to enrich lives locally, nationally and globally through innovative and sustainable management of natural resources. Coillte is a commercial company operating in forestry, land-based businesses, renewable energy and wood panel products.

Group Performance

Turnover



Capital Expenditure



Profit After Taxation

2014 Highlights

Performance

- Successfully resolved complex issue that had precipitated legal action by the trustees of the Coillte pension fund.
- Delivered an agile response to a major forest windblow event to minimise impact on our customers.

Delivered profit after tax of €38.3m.

Strategy

- Completed refinancing of Group bank facilities, which fully aligns our banking facilities with our strategic investment needs.
- Agreed plan with shareholders for disposal of telecoms assets and selected wind assets to recycle capital for strategic investments. Completed three wind farm sales as part of this plan.
- Obtained further two wind farm planning consents and significantly advanced our portfolio of six sites with a combined capacity of c. 325MW. Will be commencing construction on three sites in 2015.
- Agreed Memorandum of Understanding with Bord na Móna that clearly sets out how we plan to establish Joint Ventures focused on four specific areas of overlap between our businesses.
- Designed an improved system for the sale of sawlogs that will provide better surety of supply to our customers.

Secured shareholder approval for and began €59m renewal of our SmartPly facility at Belview, Waterford Port.

Innovation

- Continued to deliver a pipeline of innovative prototypes, including launch of two new wood panel products, Medite Vent and SmartPly Drybacker.
- Deployed leading edge technology to streamline processes and enable a value based management approach to our forest estate.

External recognition

- Achieved Programme for the Endorsement of Forestry Certification (PEFC™) certification for our forest estate, to add to the Forest Stewardship Council®[1] (FSC®) certification already in place.
- Cavan Burren Park, a partnership with Cavan County Council opened in 2014, won RDS Forestry Award for Best Community Forest Project.

Won overall Excellence in Procurement Award at the National Procurement Awards, in addition to "Best Use of Technology in Procurement" and "Best Green Procurement Initiative".

[1] FSC licence code FSC- C005714

Chairman’s Statement

Financial Performance

2014 was a very significant year for Coillte. The Group achieved profits of €38.3m, an increase of 49% over 2013 and increased turnover by 8% to €298m. The positive financial performance was due mainly to strong log prices and increased demand for our panel products. This performance enabled the Group to pay an increased dividend of €4m to our shareholders and so contribute to the funding of public services. This result continues a very positive trend since 2011 when, having taken action to grapple with the challenges of recession, the company has grown profits year on year from €15m in 2012 to €38.3m in 2014 with further growth anticipated in the coming years.

John Moloney
Chairman

Progress on Strategy

Along with this strong financial performance, significant progress was achieved on a number of key strategic issues in 2014:

- We received Ministerial consent for a €59m investment in our SmartPly OSB facility in Co. Kilkenny and began construction. We anticipate that the new facility will be fully operational in the first half of 2016;
- In parallel with this investment, we continued to proactively develop our pipeline of new innovative OSB and MDF products as part of our strategy to provide a greater range of value-added solutions to our customers. We also enhanced our sales and marketing capability to support the move to a new value-added business model;
- In order to fund investment in SmartPly along with our portfolio of wind projects and ongoing capital expenditure in forestry we took two important steps in 2014. First, we agreed a deleveraging and capital recycling plan with our shareholders that entails sale of selected wind assets and our telecom assets. This plan is being implemented and we are engaged in a process to dispose of the relevant assets

during 2015. Second, we amended and extended our bank facilities and our funding is now fully aligned with our strategic needs for the next four years;
- We secured planning permission for two additional wind farm projects and are now progressing plans for the development of six projects in conjunction with our partners ESB Wind Development and SSE Airtricity and, potentially, Bord na Móna;
- We resolved a significant issue in relation to the Coillte No. 1 Pension Fund in agreement with the Trustees and our shareholders that reduced significant risk factors for the Group; and
- We have established a clear direction on our future relationship with Bord na Móna with joint ventures to be established to capture synergies in specific areas of overlap between us in Wind Energy, Biomass Supply, Green Tourism and Shared Services. We are making good progress in this regard.
- We have decided to adopt a new system for selling sawlogs to our sawmill customers, following a detailed review of the process in 2014. The new system will combine one-year fixed volume contracts with the current, auction based method of sale and will be implemented for 2016 sales. It will deliver a greater certainty of supply to our sawmill customers, enabling them to compete better in the UK and is also expected to reduce log price volatility.

Our contribution

Coillte is Ireland's largest forest and land owner and with that comes great responsibility. Our job is to manage these forests and lands on behalf of our shareholders and, by adding value to these assets, to generate a financial return and pay dividends. Our shareholders have set us a challenge to generate an enhanced return from the significant assets that we manage on their behalf.

We must also ensure that we continue to provide environmental and social benefits that everyone in Ireland can enjoy today and manage our forests and land sustainably so future generations can enjoy the benefits beyond our lifetimes.

We will deliver on our objectives by deploying the three great assets we have – our people, our forests and our land, combining them to deliver on our strategic goals:

- We want to be the best forestry company in Europe. In some areas, such as provision of public goods and use of technology in logistics management, we believe we are already among the best and we are continuing to work to improve in other areas;
- We want to be the leading European supplier of innovative, market led MDF and OSB speciality products, adding real value to Irish pulpwood. Our new SmartPly OSB plant at Belview in Waterford Port will be fully operational in 2016 and this new facility, coupled with operational excellence, innovation and strategic marketing initiatives, will greatly improve our competitive position and our ability to serve our customers;
- We also want to continue to create value from our land and renewable energy assets. The land we manage includes many sites that are suitable for wind energy and Coillte is already a major player in the renewable energy sector in Ireland. In 2014 we achieved planning permission for two wind farm projects and 2015 will see us commence construction on our first three wind farm projects in Wicklow, Galway and Roscommon. Developing our own wind projects to retain more of the value of these projects will enable us to provide the enhanced returns sought by our shareholders while also delivering on a key Government policy objective. Likewise in biomass we are a key player in supplying material to a growing sector and will play a major role in mobilising the supply of material in line with Government policy.

Looking ahead

Coillte has never been more relevant. Global demand for high quality wood fibre from forests managed to impeccable environmental standards is increasing as is demand for sustainable, low carbon building products for energy efficient buildings. Demand for renewable energy from wind and biomass in Ireland is increasing. Society expects better stewardship of natural assets including biodiversity and provision of rural recreation infrastructure. Our assets and capabilities mean that we are well placed to meet these demands and to support other Government objectives in areas such as broadband infrastructure, tourism, industrial development and agricultural expansion.

We believe that we have clear opportunities to create substantial value in businesses that we understand. Our intention is to operate primarily as a B2B company engaged in forestry, wood based panels, renewable energy and land with our core markets being Ireland, UK and Europe. By focusing on these businesses that we know, we can create new profit streams by:

- optimising the production from our forest estate and reducing our cost base through operational excellence in forestry;
- enhancing margins in our wood based panels' businesses by implementing a value-added business model;
- delivering recurring income from wind energy generation; and
- effectively managing our capital (e.g. by generating investment capital through the disposal of our telecoms assets).

Seizing these opportunities will require Coillte to change. We will deepen our core operational capability and performance, reduce our costs and enhance our brand proposition and customer experience. We are also developing new capabilities in areas such as operational excellence, innovation and strategic marketing. We will need to engage in joint venture activities with selected partners, embrace flexible resourcing opportunities and outsource elements of the business where appropriate.

We believe that successful implementation of this strategy will enable us to grow the company – and with that the returns to our shareholders – substantially in the coming years.

Thanks

On behalf of Coillte I would like to thank our customers, contractors, suppliers and partners for their continued support and engagement in 2014. We will continue to work in partnership with you to achieve our mutual objectives.

2014 was my first full year in the role of Chairman, having been appointed to the Board in October 2013 and taking over as Chairman in December 2013. I want to offer my congratulations and thanks to the staff, management and my Board colleagues for their commitment to the company during 2014.

Denis Byrne and Seamus Murray retired from the Board in 2014 having served their five year terms and I would like to thank them for their contributions to the company during that time and wish them well in the future.

On behalf of the Board and myself I want to acknowledge the support of our shareholders, the Minister for Agriculture, Food and the Marine, Mr Simon Coveney TD, and the Minister for Public Expenditure and Reform, Mr Brendan Howlin TD and the officials of their respective Departments during 2014. I would also like to thank Minister of State Tom Hayes, TD, for his ongoing encouragement and support. During the year, the company also interacted on a regular basis with NewERA in their role as commercial advisors to the shareholders. I would also like to thank Dr. Eileen Fitzpatrick, Director of NewERA and her officials for their support and guidance.

Finally, I would particularly like to thank Gerry Britchfield who has been Acting Chief Executive for the past two years and our Group Executive Team for their leadership during 2014, which has seen the company deliver such a strong financial performance and make such a positive start to implementing our five year strategy.

In March 2015 we announced the appointment of Fergal Leamy as Chief Executive. Fergal will bring a wealth of international experience to the Group. On behalf of the Board I would like to welcome him to the company and look forward to working with him, the management team and all the employees to execute our ambitious strategy in the next few years.

I believe Coillte is at the beginning of a really exciting phase in its development and is well positioned to build on the strong foundations that have been established and grow strongly between now and 2018.

John Moloney
Chairman

Case Study

Cavan Burren Park opens unique landscape for all to enjoy

During May the then Minister for the Environment, Community and Local Government Phil Hogan TD, officially opened a new interpretative centre and 5km of walking trails at the Burren, Blacklion, Co. Cavan. Cavan Burren Park is a site of unique geological and archaeological importance. It is situated within the UNESCO designated Marble Arch Caves Global Geopark. The site is owned by Coillte and has been developed in partnership between Coillte, Cavan County Council and the local community. Funding has been provided by the European Union's Interreg IVA "Border Uplands" programme. Local celebrity chef Neven Maguire was on hand to help out on the day.

Photo: Catalystdna.com

Our People

Board of Directors

John Moloney
Chairman

John joined the Board of Coillte in October 2013. He was previously Group Managing Director of Glanbia plc since 2001 and retired from this position in November 2013. He joined Glanbia in 1987 and held a number of senior management positions including Chief Executive of Food Ingredients and Agri-business, joining the Board in 1998. Prior to this he worked in the Department of Agriculture, Food and the Marine and in the meat industry in Ireland. He is currently Chairman of DCC plc and non-executive director. He is also a non-executive director of Greencore plc, SmurfitKappa Group and a number of private companies.

Board meetings attended 12/12

Roisin Brennan

Roisin joined the Board of Coillte in May 2014. She was previously Chief Executive of IBI Corporate Finance where she worked from 1990 until 2011. She is a former non-executive director of The Irish Takeover Panel and currently a non-executive director of UTV Media plc and DCC plc.

Board meetings attended 7/7

Julie Murphy-O'Connor

Julie was appointed to the Board in June 2013. Julie is a partner in Matheson, practising in all aspects of contentious and non-contentious corporate restructuring and insolvency law matters, commercial litigation and corporate governance. Julie is a strong advocate of alternative dispute resolution. She was a member of Council of the Irish Society of Insolvency Practitioners from 2011 to 2014 during which time she acted as secretary and as chair of its educational committee. Julie is a regular contributor to Irish and international legal publications. She lectures on insolvency law and directors duties at the Law Society of Ireland and Dublin Solicitors Bar Association and regularly speaks at national and international conferences. She is co-author of the Law Society's insolvency manual. She is a member of the Commercial Law Association of Ireland and co-author of the Practitioner's Guide to the Commercial Court in Ireland.

Board meetings attended 11/12

Dermot Mulvihill

Dermot was appointed to the Board in July 2014. He was previously the Chief Financial Officer of Kingspan Group plc. Dermot is a chartered accountant and is on the Board of a number of companies.

Board meetings attended 5/5

Jerry Houlihan

Jerry was appointed to the Board in May 2014. He recently retired from the Kerry Group and worked for the Ingredients Division for 37 years. During that time, he had profit and operational responsibility for a number of different businesses within the overall ingredients business.

Board meetings attended 7/7

Thomas O'Malley

Thomas was appointed to the Board in July 2014. He is a Coillte Forest employee who has worked for Coillte since the company was established. He was nominated as an employee director by SIPTU.

Board meetings attended 5/5

Denis Byrne and Seamus Murray were also Board members during 2014 and attended 11/12 and 7/8 Board meetings respectively during the period.

Directors' expenses:
The aggregate expenses paid to Directors in 2014 were €2,367 (2013: €13,013). These mainly relate to travel expenses.

Group Executive Team

Fergal Leamy
Chief Executive

Fergal began his career at McKinsey in London where he spent eight years working for clients primarily in the food and agriculture space across the globe. He then joined Greencore where he established and ran their food manufacturing business in the US. Over the last four years he has worked for a private equity company in London, working on a range of international businesses, including spending time as CEO of a cattle business in Australia. He holds a Bachelor of Business & Law Degree from University College Dublin and was appointed to the role of CEO of Coillte on 13th April 2015.

Gerard Britchfield
Chief Operations Officer

Gerry was appointed Acting Chief Executive in March 2013 and fulfilled this role until April 2015. He has now taken on the interim role of Chief Operations Officer to ensure continuity and to facilitate a smooth transition at CEO level. Previously he was Managing Director of Coillte Panel Products, a position he was appointed to in 2007. He has worked with Coillte since 1992 in a variety of senior management roles, including Managing Director of Coillte Enterprise. Gerry is a Chartered Accountant by profession and also holds a Bachelor of Commerce Degree from University College Dublin and an MBA from Dublin City University. Prior to joining Coillte, he held finance-related positions in the IT and manufacturing sectors.

Gerry Egan
Group Director, Strategy and Governance

Gerry is the Group Director of Strategy and Governance and Company Secretary. His current responsibilities include strategy development and implementation, legal services, internal audit and corporate communications. He has held a number of roles during his time with the company including Head of Public Affairs, Head of Customer Service and Communications Manager. Gerry holds a M.Sc. (Management) degree from Trinity College / IMI.

Mark Foley
Managing Director, Coillte Enterprise

Mark joined Coillte in 2008 as Managing Director of Coillte Enterprise. Mark is responsible for the identification and delivery of new business opportunities through the deployment of the Group's broad asset base within the areas of land development, renewable energy and telecommunications infrastructure. Prior to joining Coillte, Mark was Director of Capital Programmes with Dublin Airport Authority (DAA) and was responsible for the permitting, procurement and delivery of over €1billion of new infrastructure projects over an 8 year period at Dublin, Cork and Shannon Airports. Mark holds a B.E. in Chemical Engineering and a M.I.E. (Masters in Industrial Engineering) from University College Dublin.

Neil Foot
Acting Managing Director, Coillte Panel Products

Neil has 25 years' experience of the wood panel industry in a variety of senior management roles including procurement, logistics, sales and marketing and operations, first with Willamette and then Louisiana-Pacific, which was taken over in Ireland by Coillte in 2002. Most recently he has held the positions of Chief Operating Officer, CPP and Managing Director, SmartPly. Neil holds a degree in Forestry, a Diploma in Accounting and Finance and is APICS qualified.

Eamonn McGee
Group Director, Human Resources

Eamonn has held the role of Group Director Human Resources since 2007. Prior to this, he held a variety of HR and Industrial Relations roles in Coillte. Before joining Coillte on its establishment in 1989, Eamonn was a civil servant attached to the Forest Service for 15 years, undertaking a range of administrative and management roles. Eamonn is a Chartered Fellow of the CIPD.

Gerard Murphy
Manging Director, Coillte Forest

Before taking on his current role as Managing Director of Coillte Forest, Gerard worked in a variety of positions in forestry including research, inventory, sales and marketing, harvesting and overseas consulting, as well as leading change management for the Coillte Group. He is responsible for the commercial performance of the Group's forestry businesses which have a turnover of over €100m. The provision of social and environmental values from the estate is also a key responsibility. Gerard has a B.Ag.Sci. (Forestry) and an MBA from University College Dublin as well as a Grad Dip. in Science from the Australian National University.

Ivan Schuster
Chief Financial Officer

Ivan joined Coillte in 1989 and has held his current role as Chief Financial Officer since 2006. Other roles in Coillte have included Managing Director Coillte Enterprise, Chairman Garvagh Glebe Power Limited and Director of Moylurg Rockingham Ltd. Ivan is a Chartered Accountant and holds a B.A. in Economics from University College Dublin.

Chief Executive’s Review

Coillte is Ireland's largest natural resources company and we manage those resources to maximise the economic, social and environmental return to our stakeholders.

Gerry Britchfield
Chief Operations Officer
(Acting Chief Executive 2014)

We supply logs to the Irish sawmill sector to produce a range of high quality timber products, largely for export. We manufacture innovative wood panel products in SmartPly and Medite, c.90% of which are exported. We utilise our land and forests to deliver renewable energy through wind and biomass. We do all this while delivering public goods to the value of c.€600m per annum, through providing a world class recreation product and through protecting valuable species and habitats. I am pleased to report a very strong economic performance in 2014 with profits after tax of €38.3m, mainly due to strong log prices and increased demand for our panel products. This result represents a 49% increase on the profit after tax of €25.8m reported in 2013. It is particularly satisfying to deliver this result in year one of our ambitious five year strategy for the Group.

The core objective underpinning our strategy is to deliver strong sustainable dividends to our shareholder by generating significant additional cash flows from our three great assets – our people, our forests and our land. Our strategy for unlocking our future is focussed on reducing costs, generating new profit streams and reducing volatility, underpinned by a strong ongoing commitment to sustainability.

So what are some of the highlights of our 2014 performance?

SmartPly renewal underway

Having secured final approval from our shareholders for the investment, we signed a contract with German firm Siempelkamp in July for the supply of equipment and services for the new production line at the SmartPly plant in Belview, Co. Kilkenny. Siempelkamp has over 125 years of experience in machine and plant engineering, and has completed numerous successful projects worldwide.

The renewal of our SmartPly facility is a key enabler of the move by our panel products 'business to an innovation-led, value-added business model. In November, construction of the €59m facility at Belview began. We expect the plant to be fully operational in the first half of 2016.

Focus on innovation continues to deliver

Our ongoing focus on innovation continued to deliver new wood panel products with the launch of Medite Vent and SmartPly Drybacker in 2014. Both of these products have been well received and are good examples of value-added products that are in increasing demand as the construction sector looks for energy efficient and sustainably sourced solutions. We also continued to build our innovation pipeline that will underpin the next wave of growth with 14 prototypes from across all parts of the business progressing through our stage gate process to approval status.

Wind energy business gathers pace

Coillte is a leading player in renewable energy in Ireland and 2014 laid the ground for what will be a very exciting and challenging year in 2015 as we commence construction of our first wind farm projects in Wicklow, Galway and Roscommon.

Our intention, in tandem with our co-development partners, is to build out six wind farm projects over the next two to three years. In total, we now have consented projects capable of generating c.325MW, including two further planning approval successes in 2014.

Joint Ventures with Bord na Mona moving ahead

In June 2014, the Government decided not to proceed with a merger of Bord na Mona and Coillte. As part of its decision, the Government identified four specific areas of overlap between our respective businesses where it wishes to capture additional value for the shareholder through the establishment of 50:50 Joint Venture (JV) vehicles. The areas identified are wind energy, biomass supply, shared services and green tourism. We have been working closely with Bord na Móna to implement the joint ventures envisaged. A particular milestone in 2014 was the agreement of a Memorandum of Understanding by both Boards that sets out clearly how we plan to progress this body of work during 2015.

Agile response to major windblow event

The major storm in February 2014 did significant damage to trees on our estate with approximately 7,000 hectares badly impacted. Thanks to a remarkable response by our people, we were able to ensure that this major unforeseen event had the minimum impact on our customers. We also worked closely with the Department of Agriculture, Food and the Marine and with Teagasc to support private timber growers through this difficult period with practical advice on how to manage the affected areas.

Deploying leading edge technology to streamline processes

In 2014, we continued to streamline our processes and improve decision making capability by deploying leading edge technology. The first phase of our new forest planning system that will support a value based management approach to our forest estate in the future was implemented. We also launched our new central dispatch and electronic permit system that will improve efficiency, significantly reduce workload and enhance timber security.

In addition, we introduced a new contract management system, which eliminated significant paperwork and introduced a "self-service" approach for our contractors.

New timber sales system approved

Arising from a review completed in late 2014, Coillte has decided to adopt an improved system for selling sawlogs to our sawmill customers. While the current system has served us well for over 17 years, recent market developments have driven the necessity for changes to how we sell, including a need for greater surety of supply to better enable Irish sawmills to compete successfully in UK markets and a need to reduce sawlog price volatility.

The improved system will address these and other key market challenges faced by both Coillte and its customers. A key element of the new timber sales system will be one-year fixed volume contracts alongside the current, auction-based method of sale. We will continue to offer sawlogs for sale on both a standing and a harvested basis, with delivery to the sawmill offered as a "bolt on" service option. The improved timber sales system will be fully implemented for 2016 sales.

Business refinanced to align with our strategic investment needs

In July 2014, we achieved a major milestone by agreeing a refinancing of our lending arrangements with our bank consortium in order to ensure that the terms and conditions of our facilities are fully aligned with the specific needs of our new strategy.

Recycling of capital in train to support strategic investment

In February 2014, we agreed a plan with our shareholder (involving the sale of our telecoms assets and selected wind energy assets) that will facilitate the recycling of capital to enable funding of the substantial investment programme underpinning our strategy. We have put our telecoms assets on the market and the process of attracting potential buyers began in Q1 2015. We also sold three non-strategic wind farm sites to third parties in 2014 as part of this plan.

Successful resolution of a complex pension fund issue

In July 2014, we achieved satisfactory resolution of a long standing issue that had been ongoing since 2010 with regard to a significant deficit in the Coillte pension fund. This issue had culminated in the Trustees of the pension fund taking legal action in the Commercial Court against the Company. This was a highly complex matter that required agreement of the Company, its shareholders and the Trustees of the pension fund in order to resolve it.

External recognition

As we strive to be the best at what we do, we secured external recognition across the Group in 2014 in a number of ways:

- We achieved a long standing ambition of attaining dual certification for forest management when we secured Programme for the Endorsement of Forest Certification (PEFC™) certification for our full forest estate to accompany the Forest Stewardship Council® (FSC®) certification we already hold;
- We achieved OSHAS 18001 certification across the Group from the National Standards Authority of Ireland, which indicates that our Health and Safety practices and procedures are to a very high standard. We also introduced a new Environmental Management System in our Coillte Forest business during the year, which was independently certified as complying with ISO14001, which indicates that our systems and procedures in this arena are very robust;
- Our most recently developed forest park - the Cavan Burren Park - won the Best Community Forest Project at the RDS National Forestry Awards. This park, a partnership with Cavan County Council, was officially launched in 2014 and opens up the beautiful and unique landscape of the Cavan Burren for more people to enjoy by creating accessible trails and other facilities;
- The Reputations' Agency published their annual Ireland RepTrak independent study of corporate reputations of Ireland's top 100 companies in early 2014 and Coillte moved up from a ranking of 43 in 2013 to 31 in 2014; and
- Coillte gained significant recognition at the National Procurement Awards in December 2014. The National Procurement Awards recognise and celebrate excellence in the procurement sector in Ireland. Coillte won the "Best Use of Technology in Procurement" and "Best Green Procurement Initiative" as well as being selected as the overall winner for "Excellence in Procurement".

Thanks and welcome

I would like to thank our shareholder Ministers and their department officials and advisors in NewERA with whom we have worked closely in 2014 and who have supported us in the delivery of our objectives. I would like to thank our Board who have challenged and supported management in 2014 to deliver on our potential. Thanks also to our customers and suppliers who are the key drivers of our business - we look forward to building even stronger relationships with them in 2015.

I would like to thank the people who work in Coillte, who have displayed great commitment, energy and ingenuity throughout 2014 in delivering an excellent financial result and have created a strong platform for the next phase of our growth.

Finally, on behalf of the management and staff of Coillte, I would like to warmly welcome Fergal Leamy to his new role as Chief Executive and to offer him our full support – his appointment as CEO comes at a very exciting time in Coillte's evolution and I have no doubt we will deliver on our potential under his leadership over the coming years.

Gerry Britchfield
Chief Operations Officer
(Acting Chief Executive 2014)

Introduction from incoming Chief Executive

I am delighted to have this opportunity to introduce myself to many of Coillte's stakeholders. I am joining the business at a very interesting time where we have an abundance of opportunities and the key challenge will be to pursue the ones that will drive most value and that we are best placed to capture. While clearly we are focused on maximising financial returns for our shareholders, we must also balance this with our social and environmental responsibilities. We have a great responsibility and indeed honour as custodians of the land and forests for future generations to enjoy and benefit from. I believe these objectives are not in conflict and our success should be measured by how we optimise the economic, social and environmental value from each hectare of forest and land that we own and manage for the benefit of our shareholders, our company and for wider society.

Our business is first and foremost and always will be about forestry – planting, nurturing and harvesting forests to provide quality products to our customers in the form of logs for sawmills, wood based panel manufacturing and the emerging bioenergy market. Forests also provide a wide range of other products and services in the form of recreation, nature conservation and water protection amongst many. Meeting the needs of 'customers' for these services is vitally important to us.

Over the last few years Coillte has been very successful in developing businesses that are complementary to our forest activities. A very strong wind energy business has been developed that will begin to produce energy from 2017, a really successful telecoms business has also been created from scratch, which will create significant economic value for our shareholders. I believe that this ability to add value to our forest estate is a real strength and opportunity for Coillte into the future.

Over the next twelve months my plan is to build on the platform that has been created and to determine how best we meet the needs of our customers and stakeholders for the next five to ten years. My ambition is to create a customer focused organisation that maximises the return payable to the state in the form of financial and social dividends, while at the same time invests appropriately to ensure our forests are protected and nourished for future generations to enjoy and benefit from. Given the scale of land we manage, Coillte has an almost infinite number of opportunities we could pursue in areas as diverse as energy, tourism & recreation, health and education to name but a few. However, critical to our success will be to determine which of these opportunities we should be pursuing and then investing the right resources and focus to be successful.

My job is to build on the progress that has been achieved to date and lead the business to fully realise Coillte's potential, moving Coillte from being a good business to being world class in each of the businesses in which we operate. I look forward to updating you on progress in the years to come.

Fergal Leamy
Chief Executive

Case Study

Leading European forestry companies conference hosted

In June Coillte hosted the European State Forest (EUSTAFOR) Annual Conference in Ireland. The event was attended by 50 delegates representing a range of state-owned forestry companies, enterprises and agencies from across Europe. The group also got to visit some Coillte forests and see first-hand how we are delivering best in class forest management.

Divisional Review

Coillte Forest

Coillte Forest manages all aspects of the Group's forestry business including the establishment, management and protection of forests. We provide a range of wood fibre products from our forests along with public goods such as nature conservation, landscape management and recreation.

Strong commercial performance

Coillte Forest had its best ever financial results in 2014 with a financial contribution of over €57.9m, €12.7m ahead of 2013. Strong timber prices, particularly in the early part of the year, contributed significantly to the division's performance. In addition, log sales of 1.37 million m^3 to the sawmills exceeded target, driven by buoyant production and increased standing sales. Increased pressure on harvesting costs due to increasing contractor rates and costs associated with the windblow event in February 2014 were offset by savings in haulage costs.

Our Nurseries business also performed well and profits grew by €0.5 million over 2013 due to increased non-Coillte sales in the Irish and the export market.

Storm damage

Coillte suffered significant storm damage to our estate in February 2014 when approximately 7,000 hectares were severely damaged resulting in 1.5 million m^3 of roundwood being blown down. The extent of wind damage was quantified using a combination of traditional field-based assessments and the deployment of an innovative new satellite technology called 'RapidEye'. With the aid of the RapidEye imagery we were able to quickly map all of the storm damaged areas. This in turn meant that we were able to respond to the event quickly and so ensure that the event had the minimum impact on maintaining log supply to our customers.

We also supported the wider industry with practical advice and assistance, and worked with Teagasc on a number of events to advise private timber growers on the options available to them.

Strategy progress

The Group strategy sets out an ambition to become the best forestry company in Europe by 2018. The foundations of achieving this were laid in 2014 with significant progress across the business.

Timber Sales

We undertook a strategic review of how we sell sawlogs to our sawmill customers. As a result of this review we have decided to adopt an improved system for selling sawlogs. The new system will address the challenges of improving security of supply for sawmill customers and reducing log price volatility, a concern that we share with our customers. A key element of the new timber sales system will be one-year fixed volume contracts alongside the current auction-based method of sale. We will continue to offer sawlogs for sale on both a standing and a harvested basis, with delivery to the sawmill offered as a "bolt on" service option. The improved timber sales system will be fully implemented for the 2016 sales programme.

Forest Planning

The most effective means of unlocking value from our forests is through detailed and careful forest planning. During 2014 a value based management approach was deployed that introduced the latest planning tools from REMSOFT®. These tools allow the commercial returns from our forests to be maximised in a way that also balances our social and environmental objectives. The output from REMSOFT® includes a long term plan for every forest for up to two rotations. A revised timber forecast for the period to 2035 will be produced in 2015 using this approach.

While the REMSOFT® software allows medium to long term plans to be created, operational plans must be fully aligned and robust to ensure effective delivery. An integrated Forest Management System (FMS) is currently being developed, phase one of which was implemented in 2014 with a further three phases due in 2015. The FMS is based on new streamlined business processes that will be supported by workflow technology.

External certification

In 2014 we achieved our long-standing ambition of attaining dual certification for forest management. Following on from a pilot in two of our Business Area Units (BAUs) in 2013, the full forest estate was certified by the Programme for the Endorsement of Forest Certification (PEFC™) in June 2014. PEFC™ is the world's largest forest certification programme and Coillte now joins a small group of leading forestry companies that are certified to both Forest Stewardship Council® (FSC®) and PEFC™ standards.

We also introduced new management systems for environmental compliance and health and safety compliance. These management systems were audited and certified to ISO 14001 and OSHAS 18001 respectively by the National Standards Authority of Ireland in May 2014.

Timber transport

Coillte is currently implementing a new centralised dispatch and transport management system as a key strategic initiative aimed at achieving greater transport efficiencies. We partnered with Asset Forestry Logistics from New Zealand to implement a real-time truck monitoring and central dispatch system in 2014. When fully implemented the system will enable Coillte to fully track all haulage operations across the estate, dispatch and co-ordinate deliveries centrally and enhance efficiency by use of a paperless system to authorise log removals from the forest. These measures will enable our customers and hauliers to make better informed timber haulage decisions and significantly reduce transport costs. Increasing the visibility of timber movements will also improve forest security.

The roll out of in-cab technology and central dispatch operations started in 2014 and will be completed in 2015. This Woodflow initiative was adjudged to be the "Best Green Procurement Initiative" at the National Procurement Awards held in December. The project also won the "Green Mover" Award at the Irish Logistics & Transportation Awards and was shortlisted in four categories for the Green Awards 2015.

Procurement

The majority of operational activities such as planting, harvesting, road construction are now undertaken by contractors. We have developed category strategies for all of the major procurement categories including Harvesting, Haulage, Road Engineering, Establishment, Forest Management and Nurseries to guide contractor procurement and development to 2018 and ensure that we derive best value from the approximately €60m spent annually.

Operational Excellence

The introduction of LEAN management techniques and practices is a key element of the Group strategy. We undertook a pilot project in one BAU this year which focused on streamlining operational site management requirements. The pilot successfully eliminated over half the paper work and the benefits are now being rolled out to all BAUs. Over the coming years these techniques and skills will be embedded across the whole Division.

Public Goods

Coillte delivers €600m in public goods such as recreation, nature conservation and landscape management annually and getting recognition for the economic benefit provided is a key focus area in our Group Strategy. In 2014 we engaged with key opinion formers and policy makers to raise awareness of the value of these public goods and to begin a discussion about how best to fund and support their delivery into the future.

During 2014 we opened the latest addition to our forest park network, the Cavan Burren Park.

Coillte was pivotal in the initiation of the National Outdoor Recreational Plan (NORP) for public lands. This plan is at final draft stage and negotiations are well advanced with other agencies and the Department of the Environment to bring the document to Government. We also hosted the European State Forest Association (EUSTAFOR) conference in June and will play a central role in developing a policy document on Public Goods for the association.

Outlook

Demand for sawnwood in Ireland is expected to rise in 2015. House building has led the way and ESRI research estimated that house starts for 2014 would be 9,850 units (an increase of 30% on 2013) and projected to increase to 15,000 units in 2015.

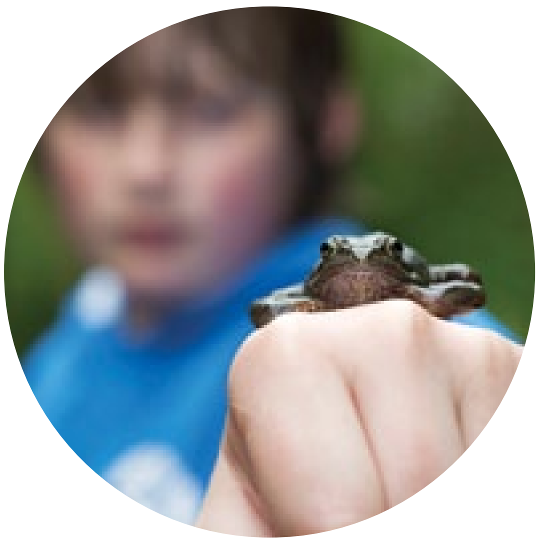
There has also been a significant economic recovery in the UK, with strong expansion in the construction sector (particularly in the residential sub-category), demonstrated by an annual UK construction PMI of 61.8. This growth in construction and the consequent rise in demand for sawnwood, is also reflected in the Timber Trade Federation (TTF) statistics for 2014, which saw an increase in softwood import volumes of 16%. This is the highest volume of imports since 2008, although still 2 million m^3 below their peak in 2007.

Despite these positive macro-economic indicators, sawnwood prices in the UK and Ireland are expected to moderate early in 2015 to levels below current rates. This forecast is based on an expectation that, despite increasing construction activity and greater demand for sawnwood in the UK and Ireland, sluggish demand elsewhere in Europe will attract international supply to these markets and this additional supply will counteract the upward price movement that one would ordinarily expect to see given the increasing demand.

Case Study

Coillte goes wild in the woods

Clonbur Wood in Galway represented Coillte in the 2014 Bioblitz event, a 24 hour long biodiversity marathon where sites compete to find the most number of species of plants and animals. The event is organised by the National Biodiversity Data Centre and the team in Clonbur recorded 689 species. Although we didn't win this year Coillte is the largest manager of biodiversity sites in Ireland with 20% of our estate managed primarily for nature conservation. The means you will always find somewhere to get close to nature and our key nature conservation sites are now listed on www.coillteoutdoors.ie



Coillte Panel Products

Coillte Panel Products (CPP) manufactures innovative and sustainable Oriented Strand Board (OSB), under the SmartPly brand, and Medium Density Fibreboard (MDF), under the Medite brand and is a significant player in the European panel products' sector. The business has sales and marketing teams based in the UK, Holland and Ireland.

Coillte's wood panels division is the largest user of small diameter wood fibre in Ireland, consuming in excess of one million tonnes of pulpwood and sawmill residues each year and is an integral component of the export oriented Irish forest products' sector.

2014 Performance

In 2014, we delivered a strong financial performance in line with budget, with overall sales revenues up by 4% due to recovery in core markets. Revenues from new products increased to approximately €20m up from €14m in 2013.

A key part of our strategy in our panels' business is to enhance the production capability at our SmartPly plant with the investment in a new line. November 2014 was a key milestone in that process as ground works got underway on the SmartPly renewal project in Belview, Waterford Port.

The €59 million investment in new technology was approved by our shareholders in June to support the development of a market-led, value-added business model. Since then contracts have been signed with the German equipment supplier Siempelkamp for the supply of state of the art OSB panel manufacturing equipment.

Work will continue in 2015 to advance the building works and to develop the innovation pipeline to support the achievement of the strategic vision to become the leading European supplier of innovative, market led MDF and OSB products.

We have also begun to supplement our team to support the investment so that we will have markets for the new products we will be able to manufacture, including the appointment of a Regional Sales Director for Europe and the Rest of the World.

Launch of new product and two new prototypes during 2014

One of our core values is to be a business that partners with our customers to offer innovative and sustainable products and services that will meet their needs now and into the future. During 2014 CPP launched new MDF and OSB product lines to the market, while developing a number of other prototypes to meet customer needs. These included extensions to our ranges of fire retardant MDF and OSB products as well as a special OSB for commercial fit-outs. Collaboration is ongoing with customers and others to develop the markets for these products and to continue to improve our product offering.

Operational Excellence

During 2014 an Operational Excellence programme commenced in the panels' division. This is a three year programme designed to deliver savings in excess of €3 million. Savings delivered during 2014 are in line with budget. A key element of the overall programme involves building LEAN capability across the business. This work has commenced with the completion of two Kaizen events. Kaizen is a LEAN tool that enhances problem solving capabilities in team environments. There are additional events planned for 2015 to further enhance the capabilities across CPP. The success of the various operational excellence initiatives combined with utilisation rates which were ahead of plan for all production lines, provide a solid platform for the year ahead.

Sales & Marketing - Wikihouse

The world's first open source network for construction sets of 3D printable houses, the so called Wikihouse, was showcased during the year in London as part of London Design Festival. The UK Coillte Panel Products team provided 18mm SmartPly OSB3 and 18mm Medite Tricoya Extreme for construction which took a small group of volunteers just eight days and less than GBP£50,000 to build. A timelapse video of the construction was created and has since gone global, with coverage in various national newspapers and blogs. This innovative, open source design, low-energy, self-build home that anyone can download, adapt, 'print' and assemble for themselves with no construction skills, and all for under GBP£50k! To view this exciting timelapse video search 'wikihouse' on YouTube.

Outlook

The macroeconomic environment in CPP's key markets is positive with demand in the UK, Ireland and Benelux forecast to strengthen in 2015. The increase in construction activity in the UK and Ireland, including timberframe, will drive demand for OSB and MDF. However, a number of larger markets, namely Germany, France and Russia, are expected to slow down which could dampen the recovery in Europe. As a result competition in western Europe is expected to intensify. Therefore, despite the continuing recovery in UK demand based on construction growth, surplus supply may be a factor in 2015, taking into consideration import trends and competitor activity.

Due to the on-going imbalance between demand and supply, OSB pricing in the key UK and European markets remains extremely competitive and is likely to remain flat during 2015 due to the slow recovery in European markets and additional production capacity in Eastern Europe. On the MDF side, strong demand should continue in the UK during 2015, which will help capacity utilisation in the industry.

Case Study

SmartPly investment gets green light

2014 saw the €59m upgrade at the SmartPly OSB factory in Belview, Waterford Port secure final approval and begin construction.

The project, which includes the development of a new Coillte Panel Products Innovation Centre will create over 300 jobs during construction, and will secure the plant as one of the South East region's biggest exporters.

SmartPly currently employs over 160 people directly at the Kilkenny plant and 250 indirectly in the wider area. The plant uses trees, harvested mainly in the Southern part of the country, to manufacture innovative and sustainable wood products used by building companies in flooring, building frames, roofing, and many other applications. In 2014 90% of SmartPly's sales were exported, mainly through ports in the South East.

New Horizon – Architecture from Ireland, Irish Design 2015. Red Pavilion by Clancy Moore, Steve Larkin Architects and Taka Architects using SmartPly OSB and Yellow Pavilion designed and built by Hall McKnight, using Medite Tricoya Extreme, exhibited at London Festival of Architecture 2015. Photo: Jon Bosworth.


Image courtesy of Sonnagh Old Wind Farm

Coillte Enterprise

Coillte Enterprise seeks to create value from the Group's land and renewable energy assets. We provide land solutions across a range of sectors and manage the Group's renewable energy interests in wind and biomass. We also manage Coillte's telecommunication mast business and we are continuously searching for new and innovative ways to create value for our stakeholders through the deployment of our land and people, including partnerships with third parties, for example in the Coillte on Film venture.

2014 saw excellent progress across all areas of our operations and we benefitted from the continuing recovery in the domestic economy.

Wind energy

Coillte is a major player in the wind energy sector in Ireland with a consented portfolio of six developments with the potential to generate c.325 MW of clean, green electricity. Coillte is also the largest provider of high quality sites to the sector and has made a significant contribution to the provision of the infrastructure that currently enables the generation of 20% of Ireland's electricity from renewable sources.

2014 saw Coillte maintain its excellent track record in developing and securing planning permission for wind farms across the estate. In June we achieved planning permission for a wind farm at Cullenagh, Co. Laois. The final grant of planning from An Bord Pleanála covers the full wind farm project, comprising 18 wind turbines with a planned output capacity of 45 MW. In July, we secured planning permission from An Bord Pleanála for a wind farm at Bunkimalta, Co. Tipperary. This planning permission is for 16 turbines with a combined output capacity of 48 MW. These planning successes continue our 100% success rate at achieving planning consents across the country, the result of which is that Coillte now has a portfolio of projects exceeding 300 MW.

Our focus now in on moving into the construction stage on a number of projects, three of which are scheduled to begin construction in 2015. The procurement processes across a number of projects were significantly advanced during 2014, with a strong market appetite being shown for Coillte projects amongst potential contractors and project finance providers.

A recruitment campaign was launched in 2014 with a view to bringing the additional skillsets and resources necessary to deliver the projects through the construction stage to the operational phase into Coillte. We are currently integrating the new members to the Wind Team to help us achieve our ambitious objectives in wind energy.

Coillte is committed to sustainable development in all aspects of its business and we have developed a Community Benefit approach that we believe will improve social acceptance of wind farm projects through a tailored response to the needs of communities in specific parts the country.

As part of the capital recycling plan agreed with the shareholder we completed the sale of three wind farm sites in 2014. This will enable us to proceed with strategic investments in wind and other parts of the business.

In May 2015 An Bord Pleanála refused planning permission for the development of a 48 turbine wind farm in Cluddaun in County Mayo, resulting in a €2.1m write down in costs to the 2014 accounts, which had been previously deferred.

Biomass
Coillte is the market leader in providing renewable heat solutions to the industrial heat sector and continued to play a leading role in advocating for the policy development that is necessary to achieve Ireland's targets for renewable heat during 2014.

In May 2014 the Biomass team hosted a Biomass Information and Demonstration Day in Donegal which was attended by 70 delegates including customers, potential customers, experts in renewable energy, local councillors and Coillte staff. The event combined a presentation and a visit to the biomass fuel supply depot in Drumkeen Quarry in Donegal. The event demonstrated the substantial annual energy savings that using biomass can provide and the local economic benefits that can result in terms of employment and demand for ancillary services relating to supply chain management and logistics.

Land solutions
Coillte owns 7% of the land of Ireland – some 440,000 hectares - and we are proactive in looking to create value from that land from uses other than forestry, where growing trees is not the most productive use of that asset. We sell non-strategic lands into the agricultural, commercial, industrial, infrastructure, leisure and residential sectors. In 2014 we delivered 43 individual transactions, compared to 49 in 2013.

Since year end we reached agreement with IDA Ireland for sale of 200 hectares of land at Derrydonnell in Co. Galway to facilitate an investment by Apple Corporation, which intends to build the first of only two data centres that it will operate outside of the US. This major project will bring significant local and national benefits and is indicative of the type of project Coillte can support.

Telecoms towers
Three Rock Mountain is the most important telecommunications site in the country. In 2014 Coillte constructed and commissioned its first tower on the mountain. The 65m tower which is fully fibre enabled represents a key piece of telecommunications infrastructure. The construction and tower installation process itself involved a variety of challenges including:

- Implementing a seven month major construction project on one of the most heavily used recreation sites in the country while minimising impact on and inconvenience to the public;
- A foundation pour involving concrete lorries making 60 deliveries to the top of Three Rock in one day;
- The installation of a 65m tower using a 250 tonne crane operating at up to 80m over a five week period while avoiding the blocking of any operational telecoms services on the busiest telecoms site in Ireland; and
- The relocation of critical communications services for An Garda Siochána.

The new tower will initially support important Garda and CIE telecommunications equipment and will play a significant role in the provision of wireless broadband services. Importantly, the new tower allows Coillte to play a key role in the long term development of this strategic and highly sensitive site. Already the development has allowed us to decommission two towers on site.

Since year end Coillte has put its telecom mast assets on the market, as part of our capital recycling plan as we have decided that now is the best time to look to realise the value we have created in this business. However, we are likely to continue to play a role in the development of this sector in the future, as a result of our extensive land holdings.

Outlook

Property Market
The outlook for property sales is positive on the back of a growing economy, with increased activity in the commercial/industrial and agricultural sectors. There is also increasing evidence that the position regarding potential purchasers' access to funding is improving. Coillte is enhancing its marketing strategy in respect of this business with tailored strategies for individual market sectors and an enhanced network of sales channels using estate agents with a proven track record in the sector.

Renewable Energy Market
The Renewable Energy regulatory framework remains stable and continues to underpin investor confidence in the Irish market compared with certain EU counterparts. The industry's expectations are that REFIT-2 will be replaced by another support scheme post 2017, coupled with a new mechanism for connecting projects to the grid post "Gate 3". This reflects continuing Government commitment to the

recently announced 2030 EU RES targets and to resolving shortfalls in meeting 2020 targets.

Interest in acquiring projects remains particularly strong with a number of international investors and developers expressing a strong appetite for equity stakes or outright ownership of Irish wind energy assets, in particular "shovel-ready" de-risked projects with good energy yield.

Competition within the capital markets remains strong with numerous banks looking to provide debt funding into the Irish wind energy market. Given the likelihood of Ireland missing its RES-H 2020 target by 2–4%, RES-E may be relied upon to reduce this deficit. This, coupled with Ireland's contribution to EU 2030 targets, has the potential to stimulate ongoing activity and project transactions in the renewable energy space beyond the current market for Gate 3 projects.

In biomass the need for a renewable heat incentive remains and we will continue to call for such an incentive while serving the needs of our current biomass customers.

Case Study

Coillte leads the way in Biomass

Coillte is a major player in the biomass industry in Ireland and during 2014 we continued to win new customers and work in partnership to aggregate material and supply it to customers such as the Radisson Blu Hotel in Letterkenny. During the year we hosted an open day in Donegal attended by over 70 people interested in the potential of biomass. We have a strong presence in the Northwest with the largest depot we run in the country in Donegal which includes 7 acres of outside log storage yard and 2500m^2 of covered wood chip storage sheds. We supply a range of industrial heat sector clients from this depot.

2014 Financial Review

Results

2014 was another excellent year for the Group. A profit of €38.3m represents a 49% increase on the previous year. Group turnover increased by €22.3m (8%) to €298m, principally due to strong log prices and increased demand for panel products. Log prices increased by an average of 18% year on year reflecting increased construction activity in Ireland and the UK that resulted in a sharp increase in end market prices for construction sawnwood in the first half of the year.

Although prices for construction sawnwood fell back in the second half of the year, the impact on Irish sawmills selling into the UK market was partially offset by favourable exchange rates that ultimately supported underlying log prices. Demand for panel products increased by 2%, MDF performed particularly well due to very strong demand in the Irish market. Underlying demand for OSB in our key UK market was also strong however, competition from Eastern European producers had an adverse impact on sales volumes and price. This additional supply from Eastern Europe was principally due to increased capacity from new OSB mills that was originally intended for a Russian market that is now in decline. Average panel board prices remained flat in 2014, the fall in OSB prices offset by favourable variances on MDF prices. Export sales accounted for 54% of Group turnover and 67% of this figure was sold into the UK market.

A major storm in February 2014 caused significant damage to the estate that resulted in increased costs as a result of harvesting these windblown sites. This increase in operating costs was partially offset by efficiencies achieved in panel board production and savings in resin costs. Operating profit before exceptional items increased from €41.3m in 2013 to €60.5m in 2014, reflecting the increase in turnover, production efficiencies and a strong contribution from the sale of wind related assets. Profit after tax increased from €25.8m in 2013 to €38.3m in 2014. The results include an exceptional charge of €4.6 m compared with an equivalent charge of €0.9m in the previous year. Further details are provided in note 5 to the accounts.

EBITDA for the group increased from €59.1m to €78.9m, an increase of 34%. A reconciliation of EBITDA is included in Table 2 below.

Interest (including related bank costs) and financing charges for the year were €11.5m, a reduction of €0.2m on 2013. Interest charges on overdraft and loan facilities were €9.5m (2013: €8.9m) while the net finance charge relating to the FRS17 pension fund liabilities was €2.0m (2013: €2.8m). The underlying EBIT interest cover for the year was 5.9 times.

The Group tax charge for 2014 was €6.1m (2013: €2.9m).

Outlook

In their latest Economic Forecast (Nov 2014), the OECD is predicting growth in Irish GDP of 3.3% and 3.2% for 2015 and 2016 respectively. The Irish economy continues to show signs of revival linked to strong export performance, mainly into the UK and US, and a recovery in domestic demand. In the UK, economic data remains positive with growth in the construction, manufacturing and services sectors expected to continue into 2015, albeit there is a slow-down in the pace of expansion in these sectors. Growth is expected to increase by 2.7% in 2015, and 2.5% in 2016 however, the continuing strength of Sterling could impact on the UK recovery. There are modest increases projected for Eurozone GDP in 2015/2016 of 1.1% and 1.7% respectively, however this growth represents a significant improvement on the contraction that has prevailed in recent years. While economic data may point to an increasing risk of stagnation in the European economy, the sudden depreciation of the Euro against both the USD and the GBP together with quantitative easing by the ECB, should support an export-led recovery of the Eurozone going forward.

The Group is forecasting a relatively strong trading environment across most business areas, with the OSB market being the exception, and is budgeting for an improved profit performance in 2015. The Group continues to rationalise its cost base and further improvement is expected to continue in 2015 as the Group begins to implement a number of LEAN initiatives through its operational excellence programme. The Group is investing €59m in its SmartPly facility and will also make significant investments in its wind energy business during 2015. The Group successfully renegotiated its loan facilities during 2014 to ensure it has adequate resources in place to continue its capital investment programme in line with the Group's Strategy to 2018.

Capital Expenditure

The Group continued its capital expenditure programme in 2014 investing €48.5m (2013: €41.2m). A significant proportion of the expenditure was incurred enhancing and maintaining the forest estate (€34.5m).

Net Debt and Gearing

During the year, the Group's net debt increased by €4.9m to €176.2m with headroom on existing undrawn facilities of €117.4m. Gross debt increased by €0.4m while cash balances decreased by €4.5m. A dividend payment to the Shareholder for 2014 of €4.0m was authorised by the Directors and paid in December 2014. Gearing was 13.9% at year end and 51% of the debt portfolio was at fixed interest rates at 31 December. The ratio of net debt to EBITDA was 2.2 times and interest cover was 8.3.

Employee Benefits

Coillte operates a number of defined benefit pension schemes with assets held in separately administered funds. The most recent actuarial valuations (31 December 2011 – Coillte and 1 January 2012 – Medite) indicated that the market value of the scheme's assets was €165.3m, which was €74.4m less than the scheme's liabilities.

A funding proposal (accepted by the Pensions Authority) is in place for Coillte Teoranta which has the objective of bringing the Scheme back to full solvency on the Minimum Funding Standard basis by 31 December 2020. As part of this agreed funding proposal, Coillte had agreed to transfer €30m non-cash assets to the Scheme of which €7m was transferred in 2009. Coillte was not in a position to transfer the remaining non-cash assets to the Scheme and an alternative funding agreement to replace this aspect of the funding proposal was agreed with the Trustees in July 2014. This agreement involves further company cash contributions to the pension fund. The Company has also given the trustees security over €20m of forestry assets that would be available to the trustees in certain circumstances. These include the company terminating its liability to the scheme or not making contributions to the scheme, the wind up of the scheme or the company ceasing business. In addition, the funding agreement limits future pension adjustments to increases in the Customer Price Index. The Trustees have notified the Pensions Authority of these changes.

In February 2015, a funding proposal in respect of the Medite Europe Limited Scheme was agreed with the Trustees and submitted to the Pensions Authority for approval. This proposal has the objective of returning the scheme to full solvency on a Minimum Funding Standard basis by 2023 and involves significant additional cash contributions by the company, additional employee contributions and benefit changes for members.

The Group continues to adopt the full requirements of Financial Reporting Standard 17 (FRS 17) retirement benefits' disclosure. The deficit on the fund at 31 December 2014, based on FRS 17 and calculated using the projected unit method is €141.8m (2013: €130.5m) and is reflected in the Group accounts. The increase in the deficit reflects a change in the assumption at which future liabilities are discounted, the rate reduced from 3.75% to 2.2%, which was partially offset by limiting future pension adjustments to increases in the Consumer Price Index and a reduction in the inflation rate assumption resulting in a net increase in the Group's pension liabilities of €36m.

Financial Risk Management

The Group's treasury operations are managed in accordance with policies approved by the Board. These policies provide principles for overall financial risk management and cover specific areas such as interest rate, liquidity and foreign exchange risk.

The Group's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, foreign exchange risk, credit risk, liquidity and interest rate risk. The Group has in place a risk management programme that seeks to manage the financial exposures of the Group by monitoring levels of debt finance and the related finance costs.

In order to ensure stability of cash outflows and the management of interest rate risk, the Group has a policy of maintaining at least 50% of its debt at a fixed rate. The Group also seeks to minimise the risk of uncertain funding in its operations by borrowing within a spread of maturity periods. Financial instruments are used to manage interest rate and financial risk. The Group does not engage in speculative activity and its treasury operating policy is risk averse.

Price risk

The Group is exposed to commodity price risk as a result of its operations. However, given the size of the Group's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The Directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

Foreign exchange risk

The Group is exposed to foreign exchange risks in the normal course of business, principally on the sale of Sterling. The Group's policy on mitigating the effect of this currency exposure is to hedge Sterling by entering into forward foreign exchange contracts based on expected sales in the UK markets.

Credit risk

The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. In addition, insurance is also put in place for the larger customers of the Group.

Liquidity risk

The Group actively maintains a mix of long-term and short-term debt finance that is designed to ensure the Group has sufficient available funds for operations and planned expansions.

Table 1 – Key Financial Performance Indicators

	2014	2013
Revenue (€'m)	298.0	275.7
EBITDA (€'m)	78.9	59.1
EBIT (€'m)	55.9	40.4
Interest cover, excluding associates		
- EBITDA basis (times)	8.3	6.6
- EBIT basis (times)	5.9	4.5
Net Debt (€'m)	176.2	171.3
Net debt as a percentage of total equity (%)	13.9	13.9
Net debt as a percentage of fixed assets (%)	11.4	11.3
Net debt/EBITDA	2.23	2.90
Effective tax rate (%)	13.8	10.3

Table 2 – EBITDA Reconciliation	2014	2013
	€'000	€'000
EBIT	55,921	40,448
Adjustments:		
Depreciation	10,343	9,378
Depletion	7,875	8,276
Amortisation of goodwill	118	118
Share of associate (gains) / losses	-	(81)
Exceptional costs	4,621	931
EBITDA	78,878	59,070

Coillte Teoranta Statutory Financial Statements

For the year ended 31 December 2014

Report of the Directors

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2014.

The Company

The Company was incorporated on 8 December 1988 and commenced trading on 1 January 1989 when it took over the forestry business formerly carried out by the Department of Agriculture, Food and the Marine. The related assets were acquired and liabilities assumed as at 1 January 1989.

One ordinary share is held by the Minister for Agriculture, Food and the Marine and the remainder of the issued share capital is held by the Minister for Public Expenditure and Reform.

Principal activities and review of the business

The principal activities of the Group are forestry and forestry related activities, wood based panels, renewable energy and land development. The review of the business required by Section 13 of the Companies (Amendment) Act, 1986 is included in the Chairman's Statement, Chief Executive Review, Division Reviews and Financial Review sections of the Annual Report.

Results and dividends

Details of the results of the Group are set out in the profit and loss account and the related notes. Group turnover increased by €22.3m (8%) to €298m in 2014 as a result of strong log prices achieved and increased demand for panel products throughout the year. Operating profit before exceptional items increased from €41.3m in 2013 to €60.5m in 2014 reflecting increased turnover, production efficiencies in the panel products division and a strong contribution from the sale of wind related assets. Exceptional items of €4.6m were charged to the Profit and Loss account (see note 5 to the accounts for further details).

A dividend of €0.00634 per share representing a total of €4m (2013: €2m) was authorised by the Board and paid in December 2014.

Directors

The Directors of the Company were appointed by the Minister for Agriculture, Food and the Marine. The Directors in office during the year ended 31 December 2014 were as follows:

John Moloney (Chairman)
Jerry Houlihan
Denis Byrne
Roisin Brennan
Seamus Murray
Dermot Mulvihill
Julie Murphy-O'Connor
Thomas O'Malley

Roisin Brennan and Jerry Houlihan were appointed to the Board on 1 May 2014. Dermot Mulvihill and Thomas O'Malley were appointed to the Board on 11 July 2014. Seamus Murray retired from the Board on 31 August 2014 and Denis Byrne retired from the Board on 31 December 2014. Since 20 March 2013, Gerard Britchfield, Managing Director, Coillte Panel Products took on the duties of the Chief Executive on an acting basis pending a substantive appointment to this position, which occurred in March 2015 (Fergal Leamy took up the position of Chief Executive from 13 April 2015). Gerard Britchfield is not a Director of the Parent Company. The Directors and Secretary have no interests in the shares of the Company, its subsidiaries or associated undertakings.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with Irish law. Irish law requires the Directors to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. Under the law the Directors have elected to prepare the financial statements in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Accounting Standards

Board and promulgated by The Institute of Chartered Accountants in Ireland).

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company or Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and with Irish statute comprising the Companies Acts 1963 to 2013 and the European Communities (Companies: Group Accounts) Regulations, 1992. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also required to include in the Annual Report a statement on the system of internal control in accordance with the requirements of the Code of Practice for the Governance of State Bodies.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate governance

The Board of Coillte is committed to the highest standards of corporate governance and is accountable to its shareholders for those standards. The Code of Practice for the Governance of State Bodies, issued by the Department of Finance, sets out the principles of corporate governance that apply to the Company and the Directors support the principles and provisions of the code.

Board of Directors

During the year the Board consisted of a non-executive Chairman and seven non-executive Directors. The Chairman and non-executive board members are independent of the Chief Executive and senior management. All the Directors are appointed to the Board by the Minister for Agriculture, Food and the Marine for a period not to exceed 5 years and their terms of office are set out in writing. The level of remuneration for the Board of Directors is also determined by the Minister and remuneration of non-executive Directors is not linked to performance.

The Board meets formally on a monthly basis. It has a schedule of matters specifically reserved to it for decision and is satisfied that the direction and control of the Group is firmly in its hands. The Group's annual budget and rolling five year plan are reviewed and approved by the Board. The Board receives monthly management accounts promptly with detailed comparison of actual to budget. The presentation of management accounts is supported by detailed presentations by senior management to the Board on a regular basis. All significant contracts, major investments and capital expenditure are also subject to review by the Board. Each non-executive Director brings an independent judgement to bear on all matters dealt with by the Board including those relating to strategy, performance, resources and standards of conduct.

All members of the Board have access to the Company Secretary and the Company's professional advisors as required. This ensures that Board procedures are followed and that applicable rules and regulations are complied with. Each Director received appropriate briefing on being appointed to the Board.

Audit Committee

Members: Dermot Mulvihill (Chairman), Julie Murphy-O'Connor and Jerry Houlihan

The Audit Committee is composed of non-executive Directors and operates under formal terms of reference. The Committee may review any matters relating to the financial affairs of the Group, in particular, the annual financial statements, the financial controls, the internal audit function, reports of the external and internal auditors and proposed changes to accounting policies. The Chief Executive, Chief Financial Officer, the Chief Internal Auditor and other senior managers are normally invited to attend these meetings as appropriate. The Committee is responsible for the appointment and fees of the external auditors and meets with them to plan and subsequently review the results of the annual audit. The external auditors also meet privately with the Committee. The Chief Internal Auditor reports directly to the Committee and the Committee is responsible for approval of the internal audit plan. The Chief Internal Auditor also meets privately with the Committee.

A framework to formally identify risk and assess the effectiveness of internal controls has been established. Internal auditors monitor the Group's control systems by examining financial reports, by testing the accuracy of the reporting of transactions and by otherwise obtaining assurances that the systems are operating in accordance with the Group's objectives. Management's response to significant risks identified and their reporting procedures are also evaluated.

Remuneration Committee

Historically, the Company had a Remuneration Committee of the Board (as required by the guidelines for Commercial State Bodies issued in March 2006 by the Department of Finance), which was chaired by the Chairman and charged with implementing the performance related pay system applicable to the Chief Executive, advising the Board on executive remuneration generally in the Company and providing guidance and advice to the Chief Executive with regard to implementation of Board policy in this area. The Committee did not meet in 2014 as the Company did not make a substantive appointment to the position of CEO until March 2015. The Committee will be reconstituted in 2015 and the terms of reference reviewed.

Relations with Shareholders

The Chairman, Chief Executive and management maintain an ongoing dialogue with the Company's shareholders on trading performance, future plans and strategic issues. Certain specified matters require the approval of the Minister for Agriculture, Food and the Marine and/or the Minister for Public Expenditure and Reform and ongoing communication with the relevant Minister is maintained directly with their respective departments and through NewEra.

Internal control

The Board has overall responsibility for the Group's system of internal control. Those systems which are maintained by the Group can only provide reasonable and not absolute assurance against material misstatement or loss. The Board confirms that it has reviewed the effectiveness of the system of internal control.

Management is responsible for the identification and evaluation of significant risks applicable to their areas of business, together with the implementation of suitable internal controls. These risks are assessed on a continuous basis and may arise because of control breakdowns, disruption to IT systems, legal and regulatory issues, market conditions and natural catastrophes. Management also reports to the Board on major changes in the business and external environment which affects risk. Where areas of improvement in the system are identified the Board considers the recommendations of management and the Audit Committee.

The system of internal control is designed to ensure management carry on the business of the Group in an orderly manner, safeguard its assets and ensure, as far as possible, the accuracy and reliability of its records. The key elements of the system are:

- An organisation structure with clear operating and reporting procedures, authorisation limits, segregation of duties and delegated authorities.
- A comprehensive system of financial reporting.
- Annual budgets and long term plans for the business that identify key risks and opportunities.
- Monitoring performance against budgets and reporting on it to the Board on a monthly basis.
- A formal code of business conduct applicable to the business and communicated to staff.
- An internal audit function that reviews the system of internal controls on a regular basis.
- An audit committee that reviews the effectiveness of the Group's system of internal financial control on an annual basis.

A risk register has been compiled that identifies the most significant risks facing the Group. In reviewing these risks, managers were asked to pay particular attention to:

- The counter measures in place to mitigate the risk.
- The net residual risk having regard to the processes and controls in place.
- Actions required or being taken to further mitigate the risk.

The risks identified were ranked in terms of their impact and likelihood of occurrence and managers have been instructed to ensure these risks are considered in the development of business plans and the performance plans of individual managers. This is an ongoing process and the Group's risk profile and risk management process will continue to be reviewed on a periodic basis.

Books of account

The measures taken by the Directors to secure compliance with the Company's obligation to keep proper books of account are the use of appropriate systems and procedures and the employment of competent persons. The books of account are kept at the Group's head office at Dublin Road, Newtownmountkennedy, Co. Wicklow.

Health and safety

All business units across the Group have developed safety statements which are updated on an ongoing basis in accordance with the provisions of the Safety, Health and Welfare at Work Act 2005. Risk assessment programmes are in place which are reviewed and updated to ensure in so far as is reasonably practicable the safety, health and welfare of those affected by the Group's activities. Safety committees are in place and meet on a regular basis to ensure effective health and safety consultation with employees' representatives and to monitor and improve safety standards and performance across the Group. Safety and skills training programmes are implemented to ensure competence and compliance with legislation, industry best practice and relevant safety guidelines in all business units across the Group.

During 2014, the Group completed a process that has resulted in the achievement of certification of its health and safety management system to the internationally recognised OHSAS 18001 standard. This means that the Group is certified as applying best practice in health and safety in all operations. Among many other benefits, the accreditation facilitates adoption by the Group of international best practice in relation to risk management.

Research and development

During the year, the Group continued its research and development programme in relation to its forestry activities and in expanding the application of its panel board products.

Prompt payments regulation

The Directors acknowledge their responsibility for ensuring compliance, in all material respects, with the provisions of the European Communities (Late Payment in Commercial Transactions) Regulations 2002 ('the Regulations').

Procedures have been implemented to identify the dates upon which invoices fall due for payment and for payments to be made by such dates.

Accordingly, the Directors are satisfied that the Company has complied with the requirements of the Regulations.

Subsidiary, associated and joint venture undertakings

A list of subsidiary, joint venture and associated undertakings as at 31 December 2014 is set out in note 29.

Auditors

The auditors PricewaterhouseCoopers will continue in office in accordance with Section 160(2) of the Companies Act 1963.

John Moloney
Chairman

Dermot Mulvihill
Director

Independent Auditors' report to the members of Coillte Teoranta

We have audited the financial statements of Coillte Teoranta for the year ended 31 December 2014 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out in the report of the Directors, the Directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland of the state of the Group's and Parent Company's affairs as at 31 December 2014 and of the Group's profit and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Acts 1963 to 2013.

Matters on which we are required to report by the Companies Acts 1963 to 2013

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

- In our opinion proper books of account have been kept by the Parent Company.
- The Parent Company Balance Sheet is in agreement with the books of account.
- In our opinion the information given in the Directors' Report is consistent with the financial statements.
- The net assets of the Parent Company, as stated in the Parent Company Balance Sheet, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2014 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Parent Company.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies Acts 1963 to 2013 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Under the Code of Practice for the Governance of State Bodies ("the Code") we are required to report to you if the statement regarding the system of internal financial control required under the Code as included in the Report of the Directors does not reflect the Group's compliance with paragraph 13.1 (iii) of the Code or if it is not consistent with the information of which we are aware from our audit work on the financial statements.

John Dillon
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
29 May 2015

Accounting Policies

The significant accounting policies adopted by the Group are as follows:

Authority
Coillte Teoranta (The Irish Forestry Board) was established under the Forestry Act, 1988.

Basis of preparation
The financial statements are prepared under the historical cost convention as modified by the revaluation of certain financial assets and have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2013, and the European Communities (Companies: Group Accounts) Regulations, 1992. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

The Directors have concluded having made due enquiries that it is appropriate to prepare the Group and Company financial statements on a going concern basis.

Critical accounting estimates and judgments
Preparation of the consolidated financial statements requires management to make certain assumptions that affect the reported amounts of assets and liabilities. These include but are not limited to the following areas:

A. Impairment of assets and goodwill
Intangible assets including goodwill, forests and land, buildings, machinery and equipment are reviewed for impairment whenever events or changes in circumstances indicate that carrying values may not be recoverable. The recoverable amount of income generating units is determined based on value in use calculations. These calculations require the use of estimates. The calculations are inherently judgmental and susceptible to change from period to period because they require the Group to make assumptions about future supply and demand, future sales prices, the achievement of cost savings, applicable exchange rates and an appropriate discount rate.

If the Group fails to meet its forecasted sales levels or fails to achieve anticipated cost reductions, or if weak economic conditions prevail in its primary markets, the value in use of an income generating unit is likely to be adversely affected.

B. Pensions
The actuarial valuation of pensions is based on assumptions regarding inflation, discount rates, the expected return on plan assets, salary increases, pension payment increases and mortality rates. The assumptions may differ from the actual data as a result of changes in economic and market conditions.

Consolidation and equity accounting
The Group financial statements consolidate the financial statements of the holding Company and its subsidiary undertakings and the Group's share of the results and net assets including the premium on acquisition of associated undertakings. Associated undertakings are accounted for under the equity method of accounting.

Turnover
Turnover, excluding value added tax, represents the income received and receivable from third parties, in the ordinary course of business, for goods and services provided. Any discounts given to the Group's customers are deducted from turnover.

Revenue from the sale of standing timber is recognised when the timber is released to the customer for harvest. Revenue from the sale of harvested timber is recognised when delivered to the mill gate. Revenue from the sale of panel products is recognised when the goods are delivered. Revenue from operating leases is recognised over the term of the lease. Revenue from the sale of fixed assets is recognised when an unconditional contract has been signed.

Operating lease rental income is charged to the profit and loss account on a straight line basis over the life of the lease agreement. All other revenue is recognised when the goods or services are delivered.

Exceptional items
The Group has adopted a profit and loss account format which highlights significant items within the Group's results for the year. Exceptional items are those items of income and expense that the Group considers are material and/or of such a nature that their separate disclosure is relevant to a better understanding of the Group's financial performance. Judgement is used by the Group in assessing the particular items, which by virtue of their materiality and/or nature, are disclosed in the Group profit and loss account and related notes as exceptional items.

Tangible assets
Forests and land are stated at cost less depletion. Critical spare parts (components) are stated at cost and are depreciated over the shorter of the economic life of the component or the tangible asset that the component is incorporated into, once the component is utilised. Other tangible assets are stated at cost less accumulated depreciation. Depreciation is calculated in order to write off the cost of tangible assets other than forests, land and critical spare parts over their estimated useful lives by equal annual instalments.

Forest capitalisation policy
The Group capitalises the costs associated with establishing and maintaining forest plantations. Direct costs are capitalised on the basis of the specific operations carried out. Indirect costs are capitalised by operation where this information is available or by reference to the proportion of the direct costs capitalised for which the individual management team has responsibility.

Joint arrangements
The Group has certain contractual arrangements with other participants to engage in joint activities that do not create an entity carrying on a trade or business of its own. The Group includes its share of assets, liabilities and cash flows in such joint arrangements, measured in accordance with the terms of each arrangement, which is usually pro-rata to the Group's risk interest in the joint arrangement.

Depletion
Depletion represents the costs of forests clear felled and is calculated as the proportion that the area harvested bears to the total area of similar forests. The amount of depletion charged to the profit and loss account is based on the original cost of the forest asset at vesting day plus an estimate of maintenance costs capitalised since that date.

Leased assets
The capital cost of assets acquired under finance leases is included under tangible assets and written off over the shorter of the lease term or the estimated useful life of the asset. The outstanding capital element of the lease obligations is included in loans and other debt, while the interest is charged to the profit and loss account over the primary lease period. Assets acquired under operating leases are not capitalised. The lease charges are expensed over the period of the lease.

Financial assets
Interests in subsidiary, associated and joint venture undertakings are stated in the Holding Company's balance sheet at cost less provisions for impairment. The Group's share of profits less losses of associated and joint venture undertakings is included in the Group profit and loss account and added to the carrying value of investments in the Group balance sheet. Other investments are stated at cost except for investments that are readily marketable, which are stated at market value.

Intangible assets
Goodwill arising on the acquisition of subsidiary undertakings by the Group is capitalised and amortised to the Group profit and loss account over its estimated useful life.

Impairment of assets and goodwill
Intangible assets, forests and land, buildings, machinery and equipment are reviewed for impairment whenever events or changes in circumstances indicate that carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or income generating units are written down to their recoverable amount.

The recoverable amount of intangible assets, forests and land, buildings, machinery and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For immature forestry related assets, cost is recognised as being equivalent to fair value for value in use purposes. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined by the income generating unit to which the asset belongs.

Goodwill is reviewed for impairment if events or changes in circumstances indicate that the carrying value may be impaired. As at acquisition date any goodwill acquired is allocated to each of the income generating units expected to benefit from the business combination's synergies. Impairment is determined by assessing the recoverable amount of the income generating unit to which the goodwill relates.

When the recoverable amount of the income generating unit is less than the carrying amount, including goodwill, an impairment loss is recognised.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on normal levels of cost and comprises supplier's invoice price with the addition of charges such as freight or duty where appropriate. Net realisable value comprises the actual or estimated selling price (net of trade but before settlement discounts), less all costs to be incurred in marketing, selling and distribution. Non-critical spare parts are included in stock at cost and a provision is made for obsolete, slow-moving or defective items where appropriate.

Financial instruments

Forward foreign exchange contracts are used to hedge foreign currency exposures arising from trading activities. At the balance sheet date, debtor or creditor balances that are hedged by forward foreign currency contracts are translated into Euro at the contract rate.

Interest rate swap agreements and similar contracts are used to manage interest rate exposures. Amounts payable or receivable in respect of these financial instruments are amortised to finance charge over the remaining life of the financial instrument.

Foreign currencies

Transactions denominated in foreign currencies are translated into Euro at the rate of exchange ruling at the transaction date or, if hedged, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date or, if hedged forward, at the rate of exchange under the related forward currency contract. The resulting profit or loss is included in the profit and loss account.

Pensions

(a) The pension entitlements of the majority of employees in Coillte Teoranta and Medite Europe Limited, are funded through separately administered defined benefit superannuation schemes. A full actuarial valuation is undertaken every three years and is updated to reflect current conditions in the intervening periods. The schemes' assets are valued at market value and the schemes' liabilities are measured on an actuarial basis, using the projected unit credit method. If the schemes are in surplus, the surplus is shown net of deferred tax as an asset on the balance sheet. If the schemes are in deficit, the deficit is shown as a liability on the balance sheet net of deferred tax. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses. The current service and past service cost of the defined benefit scheme is charged to operating profit and the expected return on assets net of the change in the present value of the scheme's liabilities arising from the passage of time is credited to other finance income/charges.

(b) Pension entitlements of employees of SmartPly Europe Limited and Coillte Panel Products (UK) Limited are funded through a separately administered defined contribution superannuation scheme. Pension entitlements of employees in Coillte Teoranta and Medite Europe Limited who are not members of the defined benefit superannuation scheme are funded through separately administered defined contribution schemes and are charged to the profit and loss account as they fall due.

(c) The payment of pre-Vesting Day pension entitlements of employees retiring after Vesting Day, which is the liability of the Minister for Public Expenditure and Reform, has been delegated to the Company by the Minister for Agriculture, Food and the Marine under section 44 of the Forestry Act, 1988. Payments made by the Company in accordance with such delegation are reimbursed by the Minister for Public Expenditure and Reform.

Grants
Revenue based grants are credited to the profit and loss account on the same basis as the related expenditure is incurred.

Capital grants received and receivable under EU-assisted schemes are recognised when received or when their receipt can be foreseen with virtual certainty.

Grants, in respect of afforestation costs which have been capitalised, are treated as grant reserve and will be amortised to the profit and loss account when the related forests are clearfelled. Grants, in respect of afforestation costs expensed by the Group, are credited to the profit and loss account on the same basis as the related expenditure is incurred.

Other non-repayable grants are amortised to the profit and loss account at the same time as the related assets are depreciated.

Taxation
Corporation tax is provided, where applicable, at current rates.

Deferred tax liabilities are recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future, have occurred at the balance sheet date.

Deferred tax assets arising from timing differences are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Timing differences are differences between profits as computed for tax purposes and profits as stated in the financial statements, which arise because certain items of income and expenditure in the financial statements are dealt with in different periods for taxation purposes.

Deferred tax is calculated at the rates at which it is estimated that tax will arise based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Research expenditure
All expenditure on research is written off to the profit and loss account in the year in which it is incurred.

Legal claims and provisions
The Group employs an in-house team to manage all claims against the Group. It has also established a Liability Provisions Committee that meets four times a year to assess the provisions for legal claims proposed by the in-house legal team. The committee is made up of senior management and a representative of the Group's insurance brokers.

Provisions are included in the financial statements for legal and any other matters on the basis of the amounts that management consider will become payable, after evaluating the recommendations of claim advisors, the specific knowledge of the in-house legal team, insurance thresholds and any other experts.

Group Profit and Loss Account

Year ended 31 December 2014

	Notes	2014 €'000	2013 €'000
Group turnover	1	298,040	275,717
Operating costs		(237,498)	(234,419)
Operating profit before exceptional items		60,542	41,298
Exceptional items	5	(4,621)	(931)
Operating profit		55,921	40,367
Share of associated undertaking gains	30	-	81
Profit before finance charge and taxation		55,921	40,448
Interest payable	6	(9,463)	(8,933)
Interest receivable	6	2	1
Other finance cost	9	(2,019)	(2,805)
Profit before taxation	2	44,441	28,711
Taxation	8	(6,111)	(2,945)
Profit for the year		38,330	25,766

Note: Movements on reserves are set out in note 27.

John Moloney
Chairman

Dermot Mulvihill
Director

Group Statement of Total Recognised Gains and Losses

Year ended 31 December 2014

	Notes	2014 €'000	2013 €'000
Profit for the financial year		38,330	25,766
Actuarial (loss)/gain in respect of pension scheme	9	(14,115)	31,016
Deferred tax on actuarial loss/(gain)	20	729	(1,268)
Total recognised gains for the year		24,944	55,514

Group Balance Sheet

At 31 December 2014

	Notes	2014 €'000	2013 €'000
Fixed assets			
Tangible assets	10	1,539,568	1,512,058
Financial assets	11	(220)	(220)
Intangible assets	12	225	343
		1,539,573	1,512,181
Current assets			
Stocks	13	24,555	21,891
Debtors	14	85,554	77,510
Cash		-	3,972
		110,109	103,373
Creditors: Amounts falling due within one year	15	(67,468)	(65,212)
Net current assets		42,641	38,161
Total assets less current liabilities		1,582,214	1,550,342
Creditors: Amounts falling due after one year	18	(176,468)	(176,387)
Provisions for liabilities and charges	20	(4,843)	(5,218)
Net assets excluding pension liability		1,400,903	1,368,737
Pension liability	9	(137,538)	(126,851)
Net assets including pension liability		1,263,365	1,241,886
Capital and reserves			
Called up share capital	21	795,060	795,060
Capital conversion reserve fund	21	6,145	6,145
Profit and loss account	22	308,663	287,719
Grant reserve	22	153,497	152,962
Shareholders' funds		1,263,365	1,241,886

John Moloney
Chairman

Dermot Mulvihill
Director

Company Balance Sheet

At 31 December 2014

	Notes	2014 €'000	2013 €'000
Fixed assets			
Tangible assets	10	1,478,413	1,450,166
Financial assets	11	60,300	64,072
		1,538,713	1,514,238
Current assets			
Stocks	13	6,792	6,223
Debtors	14	60,222	54,763
		67,014	60,986
Creditors: Amounts falling due within one year	15	(45,370)	(47,676)
Net current assets		21,644	13,310
Total assets less current liabilities		1,560,357	1,527,548
Creditors: Amounts falling due after one year	18	(175,827)	(175,413)
Provisions for liabilities and charges	20	(1,399)	(1,672)
Net assets excluding pension liability		1,383,131	1,350,463
Pension liability	9	(123,167)	(116,787)
Net assets including pension liability		1,259,964	1,233,676
Capital and reserves			
Called up share capital	21	795,060	795,060
Capital conversion reserve fund	21	6,145	6,145
Profit and loss account	22	305,262	279,509
Grant reserve	22	153,497	152,962
Shareholders' funds		1,259,964	1,233,676

John Moloney
Chairman

Dermot Mulvihill
Director

Group Cash Flow Statement

Year ended 31 December 2014

	Notes	2014 €'000	2013 €'000
Net cash inflow from operating activities	26(a)	52,500	32,849
Return on investment and servicing of finance			
Net interest	26(b)	(9,925)	(9,516)
Taxation		(7,108)	(2,675)
Capital expenditure			
Purchase of tangible fixed assets	26(c)	(48,423)	(41,123)
Sale of tangible fixed assets	26(d)	13,693	9,365
Sale of financial assets		-	1,608
Capital grants received	26(e)	380	662
Net cash outflow from capital expenditure		(34,350)	(29,488)
Equity dividends paid to shareholders	7	(6,000)	-
Net cash outflow from management of liquid resources		(4,883)	(8,830)
Financing			
Capital element of finance lease payments	26(f)	(11)	(30)
Increase in borrowings	26(h)	434	7,701
Decrease in cash at bank		(4,460)	(1,159)

John Moloney
Chairman

Dermot Mulvihill
Director

Notes to the Financial Statements

1. Segmental reporting

Analysis of turnover by class of business and by geography

The Group is organised into three divisions, Forest, Enterprise and Panel Products. The Forest Division is involved in the management of the Group's forestry business, including the establishment, management and protection of forests. Enterprise is responsible for optimising the land resource through renewable energy (Wind and Biomass), telecommunications masts and land sales and development. Panel Products is involved in the manufacture of engineered wood products.

	Forest		Enterprise		Panel		Group	
	2014	2013	2014	2013	2014	2013	2014	2013
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Segment Revenue								
Republic of Ireland	126,956	110,753	22,311	24,564	21,175	15,878	170,442	151,195
United Kingdom	11,149	7,645	1,104	1,947	96,630	94,751	108,883	104,343
Rest of the World	317	-	-	169	52,911	58,748	53,228	58,917
	138,422	118,398	23,415	26,680	170,716	169,377	332,553	314,455
Inter-segment sales	(34,513)	(33,044)	-	(5,694)	-	-	(34,513)	(38,738)
Sales to third parties	103,909	85,354	23,415	20,986	170,716	169,377	298,040	275,717

No analysis of operating profit or assets by business segment is provided in accordance with SSAP 25 as the Directors are of the opinion that such disclosure would be seriously prejudicial to the Group's interests.

Notes to the Financial Statements

2. Profit before taxation

		2014 €'000	2013 €'000
Profit before taxation has been arrived at after charging/(crediting):			
Auditors' remuneration:	- audit services	208	208
	- audit-related services	154	291
	- non-audit related services	47	85
Depreciation		10,343	9,378
Interest payable on borrowings wholly repayable within 5 years		9,463	8,933
Operating lease charges	- plant and machinery	305	117
Operating lease charges	- buildings	1,035	964
Research expenditure		1,003	1,801
Operating lease rental income		(5,703)	(5,541)
Amortisation of grants (note 23)		(315)	(308)
Amortisation of goodwill (note 12)		118	118
Exceptional costs (note 5)		4,621	931
Auditors' remuneration for statutory audit of parent company accounts		162	162

	Group		Company	
Auditors' remuneration for audit-related services comprised:	2014 €'000	2013 €'000	2014 €'000	2013 €'000
Taxation advice and compliance	96	145	70	92
Pension audit	29	46	20	46
Accounting and other advice	29	100	27	100
	154	291	117	238

	Group		Company	
Auditors' remuneration for non-audit related services comprised:	2014 €'000	2013 €'000	2014 €'000	2013 €'000
Advisory services	47	85	47	85

Notes to the Financial Statements

3. Emoluments of Directors and Chief Executive

	Fees	Salary	Performance Related Pay	Pension Contribution	Taxable Benefit	Other Emoluments	2014 Total	2013 Total
Parent Company	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
John Moloney*	16	-	-	-	-	-	16	-
Julie Murphy-O'Connor**	-	-	-	-	-	-	-	-
Roisin Brennan	8	-	-	-	-	-	8	-
Jerry Houlihan	8	-	-	-	-	-	8	-
Dermot Mulvihill	6	-	-	-	-	-	6	-
Thomas O' Malley	6	29	-	1	-	-	36	-
Denis Byrne	13	-	-	-	-	-	13	13
David Gunning***	-	-	-	-	-	-	-	195
Brendan McKenna	-	-	-	-	-	-	-	20
Alma Kelly	-	-	-	-	-	-	-	13
Seamus Murray	-	-	-	-	-	-	-	13
Frank Toal	-	-	-	-	-	-	-	13
	57	29	-	1	-	-	87	267

The standard fee payable to directors is €12,600. Where lesser amounts are shown above these are pro rata payments to directors who were appointed during the year.

* Emoluments paid relate to services as a director for the 15 month period October 2013-December 2014. Mr. Moloney waived €10,000 in emoluments being the differential between the fee payable to the Chairman and other directors.

** All emoluments in 2014 were waived.

*** Mr. Gunning resigned as a director on completion of his contract as CEO in March 2013. Disclosed emoluments paid in 2013 included €88k in respect of salary earned, an additional €34k in respect of base salary earned 2008-2012 previously deferred, €20k in lieu of accrued leave, pension contribution of €37k and taxable benefit of €16k. In addition, on 6 February 2015 the High Court ordered the Company to pay €299k to Mr. Gunning in respect of deferred performance-related bonus payments from previous years.

4. Employees and remuneration

The average number of persons employed by the Group (excluding associated undertakings) during the year was 907 (2013: 913) which comprise 426 (2013: 427) industrial workers and 481 (2013: 486) non-industrial employees.

	2014	2013
	€'000	€'000
The staff costs comprise:		
Wages and salaries	52,703	52,675
Social welfare costs	4,741	4,595
Pension costs	6,227	6,197
	63,671	63,467
Own work capitalised	(9,493)	(9,785)
Charge to profit and loss account	54,178	53,682

Notes to the Financial Statements

5. Exceptional items

	2014	2013
	€'000	€'000
Voluntary parting/early retirement programme (note a)	472	931
Impairment of fixed assets (note b)	2,044	-
Impairment of wind farm asset (note c)	2,105	-
	4,621	931

A. Voluntary parting/early retirement programme
In 2014 severance payments and actuarial costs relating to the past service of departing employees of €0.472m were incurred (2013: €0.931m).

B. Impairment of fixed assets
In accordance with the provisions of FRS11 – 'Impairment of Fixed Assets and Goodwill', the Group has reviewed the carrying value of its investments in SmartPly Europe Limited. As a consequence of the review, the Group has written down the assets of SmartPly Europe Limited to their recoverable amount by including an impairment charge of €2.0m (tangible fixed assets €1.8m and stock €0.2m).

C. Impairment of wind farm asset
In May 2015, An Bord Pleanála refused planning permission for the Cluddaun wind farm in Co. Mayo, resulting in a write down of €2.1m in costs previously deferred.

6. Net finance charges

	2014	2013
	€'000	€'000
Finance charges:		
Interest on bank overdraft and loans wholly repayable within 5 years and other related bank costs	9,463	8,933
Finance income:		
Interest receivable	(2)	(1)
	9,461	8,932

7. Dividend paid/declared

	2014	2013
	€'000	€'000
Amounts recognised as distributions to equity holders in the year:		
Equity dividends on ordinary shares		
Interim dividend of €0.00634 per share for the year ended		
31 December 2014 (2013: €0.00317)	4 ,000	2,000

A Dividend in respect of the year ended 31 December 2014 of €0.00634 per share was authorised and paid by the Board in December 2014. The 2013 Dividend of €0.00317 per share was authorised by the Board in December 2013 and paid in January 2014.

Notes to the Financial Statements

8. Taxation

		2014 €'000	2013 €'000
Current tax:			
Corporation tax at 12.5% (2013: 12.5%)		5,930	3,920
Less: Woodlands relief		(4,173)	(3,405)
		1,757	515
Foreign tax	- Netherlands	9	2
	- United Kingdom	18	31
Adjustment in respect of prior years		(376)	(511)
Taxation on disposal of fixed assets at 33% (2013: 33%)		4,774	3,433
Total current tax		6,182	3,470
Deferred tax:			
Origination and reversal of pension timing differences		86	50
Origination and reversal of other timing differences		(157)	(575)
Total taxation on profit on ordinary activities		6,111	2,945

The tax assessed for the period is higher than the standard rate of corporation tax in the Republic of Ireland. The differences are explained below:

	2014 €'000	2013 €'000
Profit on ordinary activities before tax	44,441	28,711
Profit on ordinary activities multiplied by the standard rate of tax in the Republic of Ireland of 12.5% (2013: 12.5%)	5,555	3,589
Effects of:		
Woodlands relief	(4,173)	(3,405)
Impairment of assets	485	-
Expenses not deductible for tax purposes	606	466
Differences between capital allowances and depreciation	460	352
Adjustments in respect of prior years	(376)	(511)
Higher rates of tax on certain activities	3,724	2,985
Foreign tax	22	17
Other	(121)	(23)
Total current tax	6,182	3,470

Notes to the Financial Statements

9. Pensions

A. Defined benefit pension scheme

The Group operates defined benefit pension schemes in Coillte Teoranta and Medite Europe Limited for the majority of employees with assets held in separately administered funds.

Actuarial valuation

The pension costs relating to the Group's defined benefit schemes are assessed in accordance with the advice of independent qualified actuaries. The valuations were based on the attained age and the projected unit credit method and the last full valuations were carried out on 1 January 2012 (Medite Europe Limited) and 31 December 2011 (Coillte Teoranta).

The assumptions which have the most significant effect on the results of the actuarial valuations are those relating to the rate of return on investments and the rates of increase in remuneration and pensions. It was assumed that the rate of return on investments would on average exceed annual remuneration by 3% (Coillte Teoranta) and 2% (Medite Europe Limited) in the last full valuations and pension increases by 3% in Coillte Teoranta. No provision was made for future pension increases in Medite Europe Limited.

The market value of the assets in the Group's defined benefit schemes at the respective valuation dates was €150.0m (Coillte Teoranta – 31 December 2011) and €15.3m (Medite Europe Limited – 1 January 2012) and the deficit in both schemes at those dates was €66.0m (Coillte Teoranta) and €8.4m (Medite Europe Limited).

The valuations indicated that the actuarial value of the total scheme assets was sufficient to cover 69% of the benefits that had accrued to the members of the combined scheme as at the valuation dates. Coillte Teoranta and Medite Europe Limited contribute to their respective scheme at a rate of 25% and 15.4% respectively. The actuarial reports of both schemes are available to scheme members, but not for public inspection.

A funding proposal in respect of the Coillte Teoranta scheme was approved by the Pensions Authority in 2010. The funding proposal has the objective of returning the scheme to full solvency on a Minimum Funding Standard basis by 31 December 2020. The funding proposal requires Coillte to make significant additional contributions and employees to increase their contributions. A funding agreement which varied some of the terms of the funding proposal was agreed with the Trustees in July 2014. This agreement puts in place a number of alternative measures to the transfer of non-cash assets, which was part of the original funding proposal. These alternative measures include further Company cash contributions over the period to the pension fund. The Company has also given the Trustees security over €20m of forestry assets that would be available to the Trustees in certain circumstances. These include the Company terminating its liability to the scheme or not making contributions to the scheme, the wind up of the scheme or the Company ceasing business. In addition, the funding agreement limits future pension adjustments to increases in the Consumer Price Index. The Trustees have notified the Pensions Authority of these changes.

In February 2015, a funding proposal in respect of the Medite Europe Limited Scheme was agreed with the Trustees and submitted to the Pensions Authority for approval. This proposal has the objective of returning the scheme to full solvency on a Minimum Funding Standard basis by 2023 and involves significant additional cash contributions by the Company, additional employee contributions and benefit changes for members.

Notes to the Financial Statements

9. Pensions (continued)

B. Financial Reporting Standard 17 (FRS 17)

	2014 €'000	2013 €'000
The amounts recognised in the balance sheet are as follows:		
Present value of funded obligations	(400,822)	(354,372)
Fair value of plan assets	258,994	223,874
Pension Liability	(141,828)	(130,498)
Related deferred tax asset (note 20)	4,290	3,647
Net pension liability	(137,538)	(126,851)

The amounts recognised in the profit and loss account are as follows:

	2014 €'000	2013 €'000
Current service cost	5,601	5,600
Curtailment charge	384	588
Capitalised costs	(735)	(1,001)
Net operating cost	5,250	5,187
Expected return on scheme assets	(10,622)	(9,897)
Interest on liability	13,265	13,640
Capitalised costs	(624)	(938)
Net finance cost	2,019	2,805
Total profit and loss account charge	7,269	7,992

The amounts recognised in the statement of total recognised gains and losses are as follows:

	2014 €'000	2013 €'000
Actual return less expected return on pension scheme assets	20,786	15,437
Experience gains arising on scheme liabilities	1,388	2,895
Changes in assumptions underlying present value of scheme liabilities	(36,289)	12,684
Actuarial (loss)/gain recognised	(14,115)	31,016

Notes to the Financial Statements

9. Pensions (continued)

B. Financial Reporting Standard 17 (FRS 17) (continued)

The cumulative actuarial loss recognised in the statement of total recognised gains and losses up to and including the financial year ended 31 December 2014 is €51,602,000 (2013: loss €37,487,000).

The actual return on plan assets was:

	2014 €'000	2013 €'000
Actual return on plan assets	31,408	25,334

Expected contributions for the year ended 31 December 2015 are €10,505,000.

	Pension Assets €'000	Pension Liabilities €'000	Pension Deficit €'000
Movement in scheme assets and liabilities			
At 31 December 2013	223,874	(354,372)	(130,498)
Current service cost	-	(5,601)	(5,601)
Interest on scheme liabilities	-	(13,265)	(13,265)
Expected return on scheme assets	10,622	-	10,622
Actual less expected return on scheme assets	20,786	-	20,786
Experience gains on liabilities	-	1,388	1,388
Changes in assumptions	-	(36,289)	(36,289)
Contributions by plan participants	1,541	(1,541)	-
Curtailment charge	-	(384)	(384)
Benefits paid from plan assets	(9,242)	9,242	-
Employer contributions paid	11,413	-	11,413
As at 31 December 2014	258,994	(400,822)	(141,828)

	Pension Assets €'000	Pension Liabilities €'000	Pension Deficit €'000
At 31 December 2012	196,288	(357,736)	(161,448)
Current service cost	-	(5,600)	(5,600)
Interest on scheme liabilities	-	(13,640)	(13,640)
Expected return on scheme assets	9,897	-	9,897
Actual less expected return on scheme assets	15,437	-	15,437
Experience gains on liabilities	-	2,895	2,895
Changes in assumptions	-	12,684	12,684
Contributions by plan participants	1,670	(1,670)	-
Curtailment charge	-	(588)	(588)
Benefits paid from plan assets	(9,283)	9,283	-
Employer contributions paid	9,865	-	9,865
As at 31 December 2013	223,874	(354,372)	(130,498)

Notes to the Financial Statements

9. Pensions (continued)

B. Financial Reporting Standard 17 (FRS 17) (continued)

The following amounts were measured in accordance with the requirements of FRS 17 at 31 December 2010-2014 inclusive.

	2014	2013	2012	2011	2010
Expected rate of return:					
Equities	6.60%	6.90%	7.00%	7.50%	7.50%
Bonds	2.60%	2.60%	2.40%	3.20%	3.40%
Property	4.60%	4.90%	5.00%	5.50%	5.50%
Other	1.80%	2.00%	2.00%	2.00%	2.00%

	2014 €'000	2013 €'000	2012 €'000	2011 €'000	2010 €'000
Market Value:					
Equities	155,950	142,259	131,526	114,754	107,007
Bonds	72,889	62,929	50,380	40,624	50,867
Property	15,762	13,655	13,308	13,255	12,357
Other	14,393	5,031	1,074	2,810	3,799
Total market value of assets	258,994	223,874	196,288	171,443	174,030
Present value of scheme liabilities	(400,822)	(354,372)	(357,736)	(306,410)	(263,200)
Deficit in the scheme	(141,828)	(130,498)	(161,448)	(134,967)	(89,170)

For the purposes of disclosure under FRS 17 – 'Retirement Benefits' the assets and liabilities of the Coillte Teoranta and Medite Europe Limited defined benefit schemes have been combined in 2014. Under FRS 17 the deficit in the Coillte Teoranta scheme net of deferred tax was €123.2m (2013: deficit of €116.8m) and the deficit in the Medite Europe Limited scheme net of deferred tax was €14.3m (2013: deficit of €10.1m).

The principal actuarial assumptions at the balance sheet date:

The main financial assumptions at the balance sheet date:	2014	2013	2012	2011	2010
Rate of increase in salaries	2.50%	2.90%	3.00%	3.50%	3.50%
Rate of increase in pension payments					
- Coillte Teoranta	1.50%	2.90%	3.00%	3.50%	3.50%
- Medite Europe Limited	0.00%	0.00%	0.00%	0.00%	0.00%
Discount rate	2.20%	3.75%	3.80%	5.00%	5.50%
Price inflation	1.50%	1.90%	2.00%	2.00%	2.00%

Notes to the Financial Statements

9. Pensions (continued)

B. Financial Reporting Standard 17 (FRS 17) (continued)

Assumptions regarding future mortality are based on published statistics and experience. The average life expectancy in years for a pensioner retiring aged 65 is as follows:

	2014	2013
Male – current pensioner	22.7	22.6
Female – current pensioner	24.0	23.2
Male – future pensioner (age 45)	25.1	25.0
Female – future pensioner (age 45)	26.1	26.0

5 year analysis	2014 €'000	2013 €'000	2012 €'000	2011 €'000	2010 €'000
Present value of the defined benefit obligation	(400,822)	(354,372)	(357,736)	(306,410)	(263,200)
Fair value of plan assets	258,994	223,874	196,288	171,443	174,030
Pension Deficit	(141,828)	(130,498)	(161,448)	(134,967)	(89,170)

	2014	2013	2012	2011	2010
Experience adjustment on plan liabilities as a percentage of scheme liabilities at the balance sheet date	(0.35%)	(0.82%)	(3.51%)	(0.75%)	(1.04%)
Experience adjustment on plan assets as a percentage of scheme assets at the balance sheet date	8.03%	6.90%	5.06%	(8.64%)	0.07%

Sensitivity analysis of the scheme liabilities

A decrease of 1% in the discount rate would increase the Coillte defined benefit pension scheme obligation by c. €67m and an increase of 1% in the discount rate would decrease the Coillte defined benefit pension scheme obligation by c. €56m. A decrease of 1% in the discount rate would increase the Medite defined benefit obligation by €10.4m and an increase of 1% in the discount rate would decrease the Medite defined benefit pension scheme obligation by €7.9m.

C. Defined contribution pension scheme

SmartPly Europe Limited and Coillte Panel Products UK Limited contribute to defined contribution pension schemes on behalf of certain employees. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension cost for the period for SmartPly Europe Limited amounted to €397,000 (2013: €368,000) and contributions of €39,000 (2013: €25,000) were not transferred to the fund until after the year end. The pension cost for the period for Coillte Panel Products UK Limited amounted to €73,000 (2013: €69,000) and contributions of €4,500 (2013: €4,000) were not transferred to the fund until after the year end.

The Group contributes to a separately funded defined contribution pension scheme on behalf of certain employees in Coillte Teoranta and Medite Europe Limited who are not members of the defined benefit schemes. The assets of these schemes are held separately from those of the Group in an independently administered scheme. The pension cost for the period amounted to €156,000 (2013: €160,000) and contributions of €14,000 (2013: €19,000) were not transferred to the fund until after the year end.

Notes to the Financial Statements

10. Tangible assets

(a) Group	Notes	Forests & land €'000	Buildings €'000	Machinery & equipment €'000	Total €'000
Cost					
At 1 January 2014	(i)/(vii)	1,454,909	33,943	134,003	1,622,855
Additions	(ii)	34,478	121	13,912	48,511
Depletion	(iii)	(7,875)	-	-	(7,875)
Impairment	(vi)	-	(132)	(10,598)	(10,730)
Disposals		(162)	(14)	(1,949)	(2,125)
At 31 December 2014		1,481,350	33,918	135,368	1,650,636
Accumulated depreciation					
At 1 January 2014		15,017	22,385	73,395	110,797
Charge for year	(iv)	-	954	9,477	10,431
Provision for impairment	(vi)	-	(120)	(8,838)	(8,958)
Disposals		(1)	(5)	(1,196)	(1,202)
At 31 December 2014		15,016	23,214	72,838	111,068
Net book amounts					
At 31 December 2014		1,466,334	10,704	62,530	1,539,568
At 31 December 2013		1,439,892	11,558	60,608	1,512,058

(b) Company	Notes	Forests & land €'000	Buildings €'000	Machinery & equipment €'000	Total €'000
Cost					
At 1 January 2014	(i)/(vii)	1,442,568	12,144	31,065	1,485,777
Additions	(ii)	34,478	52	4,016	38,546
Depletion	(iii)	(7,875)	-	-	(7,875)
Disposals		(161)	(14)	(989)	(1,164)
At 31 December 2014		1,469,010	12,182	34,092	1,515,284
Accumulated depreciation					
At 1 January 2014		14,457	4,050	17,104	35,611
Charge for year	(iv)	-	224	2,025	2,249
Disposals		-	(5)	(984)	(989)
At 31 December 2014		14,457	4,269	18,145	36,871
Net book amounts					
At 31 December 2014		1,454,553	7,913	15,947	1,478,413
At 31 December 2013		1,428,111	8,094	13,961	1,450,166

Notes to the Financial Statements

10. Tangible assets (continued)

(i) Tangible assets taken over from the Department of Agriculture, Food and the Marine on Vesting Day (1 January 1989) are stated at cost, based on the amount agreed between the Group and the Minister for Agriculture, Food and the Marine. Subsequent additions are stated at cost.

(ii) Additions to forests and land comprised €0.19m (2013: €0.22m) for afforestation, €18.82m (2013: €17.86m) for reforestation, €14.37m (2013: €14.38m) for other capital work and €1.10m (2013: €0.90m) paid for land.

(iii) Depletion represents the cost of forests clearfelled during the year, calculated as the proportion that the area harvested bears to the total area of similar forests. The depletion amount is charged to the profit and loss account and is based on cost, as defined in (i) above.

(iv) The estimated useful lives of tangible assets by reference to which depreciation has been calculated are as follows:

Buildings	20 to 50 years
Machinery and equipment	4 to 20 years

(v) Included in the net book amount of tangible assets is an amount for capitalised leased assets of €32,000 (2013: €32,000). The depreciation charge for capitalised leased assets for the year ended 31 December 2014 was €32,000 (2013: €38,000).

(vi) Tangible assets are reviewed for impairment if events or changes in circumstances indicate that their carrying value may be impaired. At year end, the Group carried out an impairment review of the carrying value of tangible assets in its Panel Products Division. Having carried out the impairment review, it is the Board's view that in the case of SmartPly Europe Limited a provision for impairment of €1.8m is appropriate.

(vii) Trustees of the superannuation pension scheme have security over €20m of forestry assets that would be available to the Trustees in certain circumstances (see note 9).

Notes to the Financial Statements

11. Financial assets

A. Group

	Associated Undertakings
	€'000
Unlisted shares	
At 1 January 2014 and 31 December 2014	(220)

B. Company

	Subsidiary Undertakings	Associated Undertaking	Total
	€'000	€'000	€'000
Unlisted shares			
At 1 January 2014 and 31 December 2014	78,856	-	78,856
Loans, advances and trading balances			
At 1 January 2014	(14,751)	(33)	(14,784)
Movements	(3,772)	-	(3,772)
At 31 December 2014	(18,523)	(33)	(18,556)
Net investment			
At 31 December 2014	60,333	(33)	60,300
At 31 December 2013	64,105	(33)	64,072

Notes to the Financial Statements

12. Intangible assets

	2014 €'000	2013 €'000
At 1 January	343	461
Amortised during year (note i)	(118)	(118)
At 31 December	225	343

(i) On 27 November 2006 the Group recognised goodwill of €1.2 million on the acquisition of 100% of the share capital in Medite Europe Limited. The goodwill is being amortised on a straight line basis over its estimated useful life. This has been estimated at 10 years after taking account of the nature of the business acquired and the industry in which it operates.

13. Stocks

	Group		Company	
	2014 €'000	2013 €'000	2014 €'000	2013 €'000
Raw material and consumables	10,987	9,277	6,792	6,223
Non critical spare parts (net of provisions)	1,861	2,412	-	-
Goods for resale	11,707	10,202	-	-
	24,555	21,891	6,792	6,223

The value of stock is shown net of any provisions for obsolescence and impairment. The replacement cost of stocks does not materially differ from the valuation computed on a first-in-first-out basis.

14. Debtors

	Group		Company	
	2014 €'000	2013 €'000	2014 €'000	2013 €'000
Amounts falling due within one year				
Trade debtors	47,125	44,134	22,756	22,056
Grants receivable	901	746	901	746
Other debtors and prepayments	37,528	32,630	36,565	31,961
	85,554	77,510	60,222	54,763

Notes to the Financial Statements

15. Trade creditors and accruals

	Group		Company	
	2014	2013	2014	2013
Amounts falling due within one year	€'000	€'000	€'000	€'000
Bank overdraft	488	-	425	2,934
Finance leases (note 17)	15	6	-	-
Trade creditors	13,861	11,142	9,610	6,820
Taxation and social welfare (note 16)	4,988	5,457	2,861	3,843
Accruals and deferred income	47,801	48,310	32,465	34,070
	67,153	64,915	45,361	47,677
Capital grants deferred (note 23)	315	297	9	9
	67,468	65,212	45,370	47,676

16. Taxation and social welfare

	Group		Company	
	2014	2013	2014	2013
Taxation and social welfare comprise:	€'000	€'000	€'000	€'000
PAYE/PRSI	1,909	1,838	962	924
VAT	1,385	1,190	758	783
Corporation and capital gains tax	1,455	2,381	930	2,121
Other	239	48	211	15
	4,988	5,457	2,861	3,843

17. Loans and other debt

	Group		Company	
	2014	2013	2014	2013
Wholly repayable within 1 year	€'000	€'000	€'000	€'000
Finance lease	15	6	-	-
	15	6	-	-
Repayable between 2 and 5 years (note 18)				
Loans	175,676	175,253	175,676	175,253
Finance lease	11	20	-	-
Total loans and other debt	175,702	175,279	175,676	175,253

Notes to the Financial Statements

18. Creditors

	Group		Company	
	2014	2013	2014	2013
Amounts falling due after one year:	€'000	€'000	€'000	€'000
Loans	175,676	175,253	175,676	175,253
Capital grants deferred (note 23)	781	1,114	151	160
Finance leases	11	20	-	-
	176,468	176,387	175,827	175,413

19. Financial instruments

For the purposes of the disclosures that follow in this note, short-term debtors and creditors which arise directly from the Group's operations have been excluded as permitted under FRS 13. The disclosures therefore, focus on those financial instruments which play a significant medium term role in the financial risk profile of the Group. Financial assets are separately disclosed in note 11.

A. Treasury management

The Group treasury function, as part of the Group finance function, operates as a centralised service which aims to ensure cost-efficient funding for the Group and to manage its financial risks. The main risks identified are interest rate, foreign exchange and liquidity risk. The activities of Group treasury are routinely reported to members of the Board and are subject to review by internal audit. Group treasury does not engage in speculative activity and undertakes its operations in a risk averse manner. The main financial instruments used to manage interest rate and foreign exchange risk arising from the Group's operations are interest rate swaps and forward foreign exchange contracts and all derivatives are undertaken with appropriate counterparties.

B. Interest rate risk management

The interest rate risk profile of the Group's financial liabilities as at 31 December was as follows:

	2014		2013	
	€'000	%	€'000	%
Fixed rate financial liabilities	90,025	51	140,025	80
Floating rate financial liabilities	85,677	49	35,254	20
(note 17)	175,702	100	175,279	100
Weighted average fixed debt interest rates		3.74%		4.24%
Weighted average fixed debt period – years		3.1		2.1

All of the Group's borrowings are in Euro. The amounts shown above take into account the effect of interest rate swaps used to manage interest rate exposures.

The Group seeks to have between 50% and 80% of its core debt fixed at all times. In certain circumstances the Group may fix a percentage outside of this band. At the end of 2014, 51% of debt was fixed (2013: 80%).

Notes to the Financial Statements

19. Financial instruments (continued)

Floating rate debt comprises bank borrowings bearing interest at rates determined in advance for periods ranging from overnight to less than one year largely by reference to inter-bank interest rates (EURIBOR). The Group minimises cash balances.

This strategy means that a 1% increase in interest rates would cost the Group €900,000 (2013: €700,000) in additional interest charges per annum.

C. Liquidity risk:

The maturity profiles of debt as at 31 December 2013 and 2014 are as follows:

	2014		2013	
Repayable:	€'000	%	€'000	%
In one year or less	15	1	6	1
Between two and five years	175,687	99	175,273	99
Total	175,702	100	175,279	100

The maturity profile is determined by reference to the earliest date on which payment can be required or on which the liability falls due.

The group had undrawn facilities of €117.4m (2013: €96m) as at 31 December 2014.

D. Fair values

Fair value is the amount at which a financial instrument could be exchanged in an arms length transaction between informed and willing parties, other than in a forced or liquidation sale. The following table provides a comparison of the carrying amounts (book value) and fair value amounts of the Group's financial assets and liabilities.

	Book value		Fair value		Mark-to-market gain/(loss)	
	2014	2013	2014	2013	2014	2013
	€'000	€'000	€'000	€'000	€'000	€'000
Assets:						
Cash	-	3,972	-	3,972	-	-
Liabilities:						
Overdrafts	(488)	-	(488)	-	-	-
Floating rate debt	175,676	175,253	175,676	175,253	-	-
Finance leases	26	26	26	26	-	-
Derivatives:						
Interest rate swaps	-	-	(1,041)	(659)	(1,041)	(659)
Foreign exchange contracts	-	-	(1,524)	(394)	(1,524)	(394)

Notes to the Financial Statements

19. Financial instruments (continued)

E. Currency contracts: (Sterling)

At 31 December 2014, the Group had entered into Euro / Stg£ foreign exchange contracts for the sale of the total principal amount of Stg £37.9 million at the rate of 0.8065. There was a loss of €1,524,298 on sterling forward contracts marked to market at 31 December 2014.

F. Gains and losses on hedges

The Group enters into forward interest rate swaps and foreign currency contracts to manage exposures that arise on interest rates and revenue and costs denominated in foreign currencies. Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures. An analysis of these unrecognised gains and losses is as follows:

	Gains	Losses	Total 2014	Total 2013
	€'000	€'000	€'000	€'000
Unrecognised gains and (losses) on hedges at 1 January 2014	-	(1,053)	(1,053)	(2,224)
Gains and (losses) arising in previous years recognised prior to 1 January 2014	-	999	999	173
Gains and (losses) arising in previous years recognised prior to 1 January 2014	-	(2,511)	(2,511)	998
Unrecognised gains and (losses) on hedges at 31 December 2014	-	(2,565)	(2,565)	(1,053)
Expected to mature:	€'000	€'000	€'000	€'000
Within one year	-	(1,524)	(1,524)	(999)
After one year	-	(1,041)	(1,041)	(54)
	-	(2,565)	(2,565)	(1,053)

20. Provisions for liabilities and charges

	Group		Company	
	2014	2013	2014	2013
	€'000	€'000	€'000	€'000
Legal and other provisions	2,357	2,575	1,399	1,672
Deferred taxation	2,486	2,643	-	-
	4,843	5,218	1,399	1,672

Notes to the Financial Statements

20. Provisions for liabilities and charges (continued)

A. Legal and other provisions

Legal and other provisions relates to provisions included in the financial statements for legal claims against the Group on the basis of the amounts that management consider will become payable, after evaluating the recommendations of claim advisors, knowledge of the in-house legal team, other experts and insurance thresholds.

	Group		Company	
	2014	2013	2014	2013
Legal and other provisions	€'000	€'000	€'000	€'000
At 1 January	2,575	2,517	1,672	1,543
Net movements	(218)	58	(273)	129
At 31 December	2,357	2,575	1,399	1,672

B. Deferred tax

	Group		Company	
	2014	2013	2014	2013
Deferred taxation	€'000	€'000	€'000	€'000
At 1 January	2,643	3,218	-	439
Net movements (note 8)	(157)	(575)	-	(439)
At 31 December	2,486	2,643	-	-

No asset has been recognised for deferred tax of €4,827,840 (2013: €4,463,000) arising on the losses carried forward in one of the Group companies. In view of the current trading environment it was not considered prudent to recognise the asset at this stage.

	Group		Company	
	2014	2013	2014	2013
Deferred taxation arising on pension deficits	€'000	€'000	€'000	€'000
At 1 January	(3,647)	(4,965)	(2,154)	(3,185)
Net movement recognised in STRGL	(729)	1,268	(83)	1,031
Net movement recognised in Profit & Loss	86	50	-	-
At 31 December	(4,290)	(3,647)	(2,237)	(2,154)

Notes to the Financial Statements

21. Called up share capital

	2014	2013
	€'000	€'000
Ordinary shares of €1.26 each		
Authorised:	1,260,000	1,260,000
Issued and fully paid	795,060	795,060

During the year ended 31 December 2001, in accordance with the Economic and Monetary Union Act, 1998, the share capital was redenominated into Euro and the nominal value was renominalised to €1.26. Consequently, the issued and fully paid share capital was reduced by €6,145,000 and that amount was transferred to the capital conversion reserve fund.

22. Reserves

	2014	2013
	€'000	€'000
At 1 January	152,962	153,348
Net movement in forestry grants (note 27)	535	(386)
At 31 December	153,497	152,962

	Profit and Loss Account	
	2014	2013
	€'000	€'000
Parent company	305,262	279,509
Subsidiary undertakings	3,621	8,431
Associated undertaking	(220)	(221)
	308,663	287,719

As permitted by Section 148(8) of the Companies Amendment Act, 1986, the Parent company is availing of the exemption of presenting its separate profit and loss account in these financial statements and from filing it with the Registrar of Companies.

Notes to the Financial Statements

23. Forestry and other grants

A. Group

	2014			2013		
	Forestry €'000	Other €'000	Total €'000	Forestry €'000	Other €'000	Total €'000
At 1 January	152,962	1,411	154,373	153,348	1,718	155,066
Movement during year	535	-	535	(386)	-	(386)
	153,497	1,411	154,908	152,962	1,718	154,680
Amortised during year	-	(315)	(315)	-	(307)	(307)
At 31 December	153,497	1,096	154,593	152,962	1,411	154,373

B. Company

	2014			2013		
	Forestry €'000	Other €'000	Total €'000	Forestry €'000	Other €'000	Total €'000
At 1 January	152,962	169	153,131	153,348	189	153,537
Movement during year	535	-	535	(386)	-	(386)
	153,497	169	153,666	152,962	189	153,151
Amortised during year	-	(9)	(9)	-	(20)	(20)
At 31 December	153,497	160	153,657	152,962	169	153,131

Notes to the Financial Statements

23. Forestry and other grants (continued)

Other grants (notes 15 and 18)

The period over which other capital grants will be amortised is as follows:

C. Group

		2014		2013
	€'000	€'000	€'000	€'000
Within 1 year		315		297
Between 2 and 5 years	657		984	
Over 5 year	124		130	
		781		1,114
		1,096		1,411

D. Company

		2014		2013
	€'000	€'000	€'000	€'000
Within 1 year		9		9
Between 2 and 5 years	29		30	
Over 5 years	122		130	
		151		160
		160		169

24. Future capital expenditure not provided for

	2014	2013
	€'000	€'000
Contracted for	51,564	-
Authorised by the Directors but not contracted for	39,537	65,211
At 31 December	91,101	65,211

Notes to the Financial Statements

25. Contingencies and commitments

A. Government grants

A contingent liability of €54,515,000 (2013: €54,240,000) exists in respect of government grants which become repayable if certain conditions, as set out in the agreements, are not adhered to. The most significant of these conditions relates to afforestation grants. Plantations must be adequately maintained and protected for a period of at least ten years after the date of payment of the grant, failing which all grant monies or part thereof may be refundable.

B. The Irish Forestry Unit Trust

The trust deed of the Irish Forestry Unit Trust commits the Group to providing liquidity to the fund if it is needed. This commitment would require the purchase of forests by the Group from the Irish Forestry Unit Trust representing up to 15% of the value of the fund. This is subject to an annual limit of the lesser of 5% of the value of the fund or €4,400,000. The maximum amount that the Group can be required to purchase is €38,000,000.

C. Operating lease commitments

Commitments under operating leases expire as follows:

	Land & Buildings	Machinery & equipment	Total 2014	Total 2013
	€'000	€'000	€'000	€'000
Within one year	115	8	123	159
Between two and five years	124	312	436	178
Over five years*	551	-	551	587
	790	320	1,110	924

*Included within the commitments for land and buildings, SmartPly Europe Limited leases 60 acres on which its facility is constructed from Waterford Harbour Commissioners and Kilkenny County Council. The lease agreement expires in 2034, it is renewable at five year intervals thereafter and it provides for rent reviews every five years. The Company has an option to terminate the lease on 25 July 2024. The Company has a commitment, under the terms of the lease, to ship a certain agreed tonnage of finished product through the Port of Waterford each year. At 31 December 2014 the Company was committed to making an annual payment of €116,000 (2013: €112,000) in respect of these lease obligations. On cessation of the lease and vacating the site SmartPly Europe Limited is required to remove all plant, equipment, rolling stock and inventory and shall give the lessor clear and vacant possession of the premises, foundations and fixtures.

D. Immature Forest Asset

Trustees of the superannuation pension scheme have security over €20m of forestry assets that would be available to the Trustees in certain circumstances (see note 9).

Notes to the Financial Statements

26. Notes to the Group Cashflow Statement

A. Reconciliation of operating profits to net cash inflow from operating activities

	Notes	2014 €'000	2013 €'000
Operating profit		55,921	40,367
Depreciation	2	10,343	9,378
Depletion	10	7,875	8,276
Impairment of fixed assets	10(vi)	1,772	-
Amorisation of goodwill	12	118	118
Profit on sale of tangible fixed assets	26(d)	(12,770)	(8,737)
Revaluation of IForUT units		-	(40)
Amortisation of grants	23	(315)	(308)
Movement in provisions and liabilities	20	(218)	58
Movement in pension fund liability		(4,804)	(2,739)
Movement in working capital			
(Increase)/decrease in stocks	26(g)	(2,664)	644
Increase in debtors	26(g)	(7,889)	(19,200)
Increase in creditors	26(g)	5,131	5,032
		52,500	32,849

B. Interest paid and received

	Notes	2014 €'000	2013 €'000
Interest charge	6	9,463	8,933
Interest received	6	(2)	(1)
Movement of interest accrual	26(g)	464	584
		9,925	9,516

C. Additions to tangible fixed assets

	Notes	2014 €'000	2013 €'000
Fixed asset additions	10	48,511	41,208
Less: non cash consideration (depreciation)		(88)	(85)
		48,423	41,123

Notes to the Financial Statements

26. Notes to the Group Cashflow Statement (continued)

D. Sale of tangible fixed assets

	Notes	2014 €'000	2013 €'000
Net book value of assets sold	10	923	628
Profit on disposals of assets		12,770	8,737
Cash consideration		13,693	9,365

E. Analysis of changes in financing during the year

	Share Capital €'000	Share Capital Conversion €'000	Capital Grants €'000	Finance Lease Obligations €'000
At 1 January 2014	795,060	6,145	154,373	26
Capital grants received	-	-	380	
Movement in capital grants receivable	-	-	155	-
Capital grants amortised	-	-	(315)	-
At 31 December 2014	795,060	6,145	154,593	26

F. Analysis of movement in net debt

	Balance 1 Jan €'000	Cash Flows €'000	Balance 31 Dec €'000
Cash at bank	3,972	(4,460)	(488)
Debt due within one year	(26)	11	(15)
Debt due after one year	(175,253)	(434)	(175,687)
	(171,307)	(4,883)	(176,190)

Notes to the Financial Statements

26. Notes to the Group Cashflow Statement (continued)

G. Analysis of movement in working capital

	Balance 1 Jan €'000	Balance 31 Dec €'000	Cash Flows €'000
Stock	21,891	24,555	(2,664)
Debtors	77,510	85,554	(8,044)
Less capital grants receivable	(746)	(901)	155
	76,764	84,653	(7,889)
Creditors (excluding overdrafts, corporation tax, capital grants, loans, leases and dividend declared)	60,528	65,195	4,667
Less accrued interest	(1,571)	(1,107)	464
	58,957	64,088	5,131

H. Reconciliation of net cashflow to movements in net debt

	2014 €'000	2013 €'000
Decrease in cash in the period	(4,460)	(1,159)
Cash inflow on finance leases	11	30
Cash inflow on bank loans	(434)	(7,701)
	(4,883)	(8,830)
Net debt at the beginning of the year	(171,307)	(162,477)
Net debt at the end of the year	(176,190)	(171,307)

Notes to the Financial Statements

27. Reconciliation of movements in shareholders' funds

	Share Capital	Share Capital Conversion	Capital Forest Grants	Profit and Loss account	Total
	€'000	€'000	€'000	€'000	€'000
At 1 January 2014	795,060	6,145	152,962	287,719	1,241,886
Retained profit for the year	-	-	-	38,330	38,330
Actuarial gain recognised on pension schemes	-	-	-	(14,115)	(14,115)
Deferred tax related to actuarial gain	-	-	-	729	729
Net movement in forestry grants	-	-	535	-	535
Dividends declared	-	-	-	(4,000)	(4,000)
At 31 December 2014	795,060	6,145	153,497	308,663	1,263,365

28. Related party transactions

A. The ownership of the Company
One ordinary share is held by the Minister for Agriculture, Food and the Marine and the remainder of the issued share capital is held by the Minister for Public Expenditure and Reform.

B. Sales of goods, property and services to entities controlled by the Irish Government*
In the ordinary course of its business the Group sold goods, property and services to entities controlled by the Irish Government, principally Bord Gais Energy and ESB. Sales of these goods, property and services amounted to €5.4m in 2014 and amounts due from these entities to the Group at 31 December 2014 for these goods, property and services amounted to €0.58m.

C. Purchases of goods and services from entities controlled by the Irish Government*
In the ordinary course of its business the Group purchased goods and services from entities controlled by the Irish Government, principally the ESB. Purchases of goods and services amounted to €18.7m in 2014 and amounts due to these entities at 31 December 2014 for these goods and services amounted to €1.4m.

D. Transactions with state controlled/influenced financial institutions
The Group have loan facilities of €111.7m with Allied Irish Banks plc (A.I.B.) and Bank of Ireland (B.O.I.) as part of a syndicated loan agreement which includes a number of financial institutions. Interest payments in relation to the drawn balances amount to €2.9m for 2014. At 31 December 2014 the Group had entered into Eur/Stg£ foreign exchange contracts with A.I.B. and B.O.I. for the sale of the principal amount of STG £21.75 million at the rate of 0.8048. The Group also had €30m of interest rate swaps in place with A.I.B. and B.O.I. at a weighted average interest rate of 0.635%.

E. Transactions with related Companies
Moylurg Rockingham Limited
In the ordinary course of its business the Group did not purchase any goods and services from Moylurg Rockingham Limited in 2014 (2013: €0.01m)

** Entities controlled by the Irish Government refers to all county councils, Government departments and semi-state companies.*

Notes to the Financial Statements

29. Subsidiary and Associated Undertakings

Subsidiary Undertakings	% Held	Principal Activities	Registered Office and Country of Incorporation
SmartPly Europe Limited	100	Oriented strand board (OSB) manufacture	Belview, Slieverue, Waterford, Ireland
Medite Europe Limited	100	Medium density fibreboard (MDF) manufacture	Redmonstown, Clonmel, Co. Tipperary, Ireland.
Coillte Panel Products (UK) Limited	100	Panel products marketing	Persimmon House, Anchor Boulevard, Crossways Business Park, Dartford, Kent, UK.

Associated Undertaking	% Held	Principal Activities	Registered Office and Country of Incorporation
Moylurg Rockingham Limited	50	Forest recreation	Lough Key Forest and Activity Park, Boyle, Co. Roscommon, Ireland

In accordance with Section 17 of the Companies (Amendment) Act, 1986, the Company has guaranteed the liabilities of its wholly owned subsidiaries and, as a result, these subsidiaries have been exempted from the provisions of Section 7 of the Companies (Amendment) Act, 1986.

30. Associated Undertakings – Moylurg Rockingham Limited

The following additional disclosure represents the Group’s share of amounts included in the financial statements of Moylurg Rockingham Limited. This Company is a joint venture between Coillte and Roscommon County Council to provide forest recreation in Lough Key Forest Park. The Company was incorporated on 23 March 2005 and commenced trading under a joint venture agreement dated 16 August 2005. It is included in the consolidated financial statements as an associated undertaking using the equity method of accounting. The Company has been treated as an associated undertaking as Coillte’s share of the losses are limited under the joint venture agreement.

	2014 €’000	2013 €’000
Share of turnover	676	634
Share of the profit after tax*	-	81
Share of fixed assets	3,503	3,630
Share of current assets	585	607
Share of creditors due within one year	(206)	(199)
Share of creditors due after one year	(3,746)	(3,902)
Share of net assets	136	136

** There was no tax charge during the period.*

Notes to the Financial Statements

31. Post balance sheet events

In May 2015, An Bord Pleanála refused planning permission for the Cluddaun wind farm in Co. Mayo, resulting in a write down of €2.1m in costs previously deferred (see note 5).

32. Approval of Financial Statements

The Directors approved the financial statements on 28 May 2015.

5 Year Performance

Financial Review (Unaudited figures)

	2014	2013	2012	2011	2010
	€'000	€'000	€'000	€'000	€'000
Profit and loss account					
Turnover	298,040	275,717	262,156	259,116	250,399
Operating profit before exceptional items	60,542	41,298	35,028	41,485	46,065
Exceptional items	(4,621)	(931)	(6,043)	(9,131)	(1,392)
Operating profit	55,921	40,367	28,985	32,354	44,673
Share of losses of joint ventures/associates	-	81	(50)	(50)	(50)
Finance charge	(11,480)	(11,737)	(12,554)	(11,555)	(11,168)
Profit before taxation	44,441	28,711	16,381	20,749	33,455
Taxation	(6,111)	(2,945)	(1,119)	(851)	(1,307)
Profit after taxation	38,330	25,766	15,262	19,898	32,148
Dividend Declared/Paid	(4,000)	(2,000)	(2,000)	(10,000)	-
Retained earnings	34,330	23,766	13,262	9,898	32,148
Balance sheet					
Fixed assets	1,539,573	1,512,181	1,490,945	1,468,991	1,446,339
Current assets	110,109	103,373	87,024	100,718	85,309
Creditors: amounts falling due within one year	(67,468)	(65,212)	(57,997)	(60,361)	(51,219)
Net current assets	42,641	38,161	29,027	40,357	34,090
Total assets less current liabilities	1,582,214	1,550,342	1,519,972	1,509,348	1,480,429
Creditors: Amounts falling due after one year	(176,468)	(176,387)	(168,996)	(171,732)	(162,012)
Provisions for liabilities and charges	(4,843)	(5,218)	(5,735)	(6,166)	(7,485)
Net assets excluding pension liability	1,400,903	1,368,737	1,345,241	1,331,450	1,310,932
Pension liability	(137,538)	(126,851)	(156,483)	(130,525)	(86,382)
Net assets including pension liability	1,263,365	1,241,886	1,188,758	1,200,925	1,224,550
Capital and reserves					
Called up share capital	795,060	795,060	795,060	795,060	795,060
Capital conversion reserve fund	6,145	6,145	6,145	6,145	6,145
Profit and loss account	308,663	287,719	234,205	246,932	272,072
Grant reserve	153,497	152,962	153,348	152,788	151,273
Shareholders' funds	1,263,365	1,241,886	1,188,758	1,200,925	1,224,550

Corporate Information

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Company Secretary
Gerry Egan

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PricewaterhouseCoopers
Chartered Accountants & Registered Auditors

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Bank of Ireland
Ulster Bank
Allied Irish Banks
Rabobank Ireland
Danske Bank

Insurance Brokers
Marsh Ireland

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Notes

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